COMPANIES ACT

("Off. Herald of RS", Nos. 36/2011, 99/2011, 83/2014 - other law, 5/2015, 44/2018 and 95/2018)

Part one
BASIC PROVISIONS

SCOPE OF THE ACT

Article 1

This Act regulates the legal status of companies and other forms of organizing in accordance with the present Act, and in particular their incorporation, managing, status changes, changes of legal form, dissolution and other issues relevant for their status, as well as the legal status of sole traders.

The provisions hereof also apply to all forms of businesses operation that are established and conduct business in accordance with a separate act, unless otherwise provided by that act.

1. Main Terms

Concept of a Company

Article 2

A company (hereinafter referred to as: the company) is a legal person conducting an activity with the aim of gaining profit.

Acquiring the Status of Legal Person

Article 3

A company acquires the status of a legal person through registration in the Register of Business Entities in accordance with the act governing the registration (hereinafter referred to as: the registration act).

Activities

Article 4

A company has its predominant activity, which is registered in accordance with the registration act, but may also pursue all other activities not prohibited by law, regardless of whether they have been provided in the company's memorandum of association or articles of association.

A separate act may condition the registration or pursuing a certain activity by the existence of a preliminary approval, consent or other decision of a competent authority.

The decision on change of the predominant activity is made by the general meeting of the company, general partners, i.e. limited partners.

Registration

Article 5

Registration of companies and sole traders, or registration of data and documents prescribed by this act is carried out in accordance with the registration act.

Effect of Registration on Third Parties

Article 6

Third parties that rely on registered data in legal transactions may not bear adverse legal consequences arising from incorrectly registered data.

It is considered that third parties are informed about the registered data starting from the day that follows the day of publishing of the registration of these data in keeping with the registration act.

Third parties may provide evidence that it was not possible for them to inspect these data during the period of 15 days from the day of publication of the registered data.

The company may provide evidence that third parties were aware or had to be aware of the company's documents and data even prior to their registration in accordance with the registration act.

Territorial Jurisdiction of the Court

Article 7

In procedures upon civil actions and non-contentious procedures initiated in cases envisaged in this act, as well as in disputes arising from this act, the competent court is the one that is determined by the act governing the jurisdiction of courts according to the seat of the company or sole trader, or place of business of the company’s branch office, unless this act provides territorial jurisdiction of another court.

Legal Forms

Article 8

The legal forms of a company are:

1) General partnership;

2) Limited partnership;

3) Limited liability company;

4) Joint stock company.

Members of a Company

Article 9

Persons who incorporate a company and persons who subsequently join it are as follows:

1) In a general partnership - general partners;

2) In a limited partnership - general and limited partners;

3) In a limited liability company - members of a limited liability company;

4) In a joint stock company - shareholders.

A common name for persons listed under paragraph 1 of this Article is a company member.

A company member may come in a form of a natural or legal person.

Partners, general and limited partners and member of a limited liability company and data related to them are registered in accordance with the registration act,while the shareholders in accordance with the law that regulates capital market.

Data on Persons who are registered

Article 9a

Data on persons who are under the obligation of registration under this Act and which are registered in accordance with the Registration Act are:

1) For a national natural person - personal name and unique identification number of citizens;

2) For a foreign national - personal name, passport number and country of issue, i.e. foreigner's personal identification number, i.e. foreigner's identity card number and country of issuance;

3) For a national legal person - business name, address of the seat and registration number;

4) For a foreign legal person - business name, address of the seat, number under which that legal person is kept in the foreign registry and the country in which that person is registered.

Duration of a Company

Article 10

A company may be incorporated for a definite or an indefinite period of time.

It is considered that a company is incorporated for an indefinite period, unless it is provided otherwise by the memorandum of association, or articles of association.

Unless the memorandum of association stipulates otherwise, a company incorporated for a definite period may prolong its duration or continue to operate as a company incorporated for an indefinite period, if, until the expiry of the period for which it is incorporated, i.e. until the completion of the liquidation procedure and in keeping with this Act, the resolution on this is adopted by:

1) In case of a general and limited partnership - unanimously by all general partners, i.e. limited partners, and provided that such resolution is registered within the same time limit in accordance with the registration act;

2) In case of a limited liability company - by the general meeting by a two-third majority of votes of all members of the company and provided that such decision is registered within the same time limit in accordance with the registration act;

3)In case of a joint stock company - by the general meeting with a three-fourths majority of the votes of the present shareholders and that decision is registered within the same time limit in

accordance with the registration act.

2. Memorandum of Association, Articles of Association and Agreements in Relation to the Company

Memorandum of Association and Articles of Association

Article 11

A memorandum of association is a constitution document of a company that takes the form of a decision on incorporation if the company is incorporated by a single person, or the form of an agreement on association if it is incorporated by several persons.

At the occasion of company incorporation, the signatures on the memorandum of association are certified in keeping with the act which regulates signature certification, provided that the certification of signatures, in case of an electronic document, is replaced by the qualified electronic signature of the members of the company, unless that is contrary to the regulations governing the transfer of title in immovables.

The certification of the signature on the memorandum of association, in the case of a digitized document, may be replaced by a qualified electronic signature, i.e. qualified electronic stamp of a person authorized for certification of signatures, manuscripts and transcripts in accordance with the law governing the certification of signatures, manuscripts and transcripts.

The person referred to in paragraph 3 of this Article determines the identity of the signatory of the document being digitized, in accordance with the law governing the certification of signatures, manuscripts and transcripts.

In a general partnership, limited partnership and a limited liability company, a memorandum of association regulates the manner of management of a company and other issues in keeping with this Act for each individual legal form of a company.

In addition to a memorandum of association, a joint stock company also has articles of association that regulate the manner of management of the company and other issues in keeping with this Act, unless a separate act provides otherwise.

A person who later joins the company is bound by the company's memorandum of association i.e. articles of association from the day of acquiring the status of a company member in accordance with this Act.

Memorandum of association and articles of association are drafted in writing and registered in accordance with the registration act.

If the memorandum of association and articles of association are made as electronic, i.e. digitalized documents they are registered in electronic form, in accordance with the registration act.

Amendments to the Memorandum of Association and Articles of Association

Article 12

The memorandum of association of a general partnership, limited partnership and limited liability company is amended by a resolution of the general partners and limited partners, i.e. general meeting, in keeping with this Act.

The resolution from paragraph 1 hereof is signed by company members who voted for it, and that resolution is certified in keeping with Article 11 paras. 2 and 3 of this Act, if so provided by the memorandum of association and if such obligation is registered in keeping with the registration.

A joint stock company's memorandum of association is not amended.

A joint stock company's articles of association are amended by a resolution of the general meeting, in keeping with the provisions of this Act.

Following any amendment to the memorandum of association i.e. articles of association, a

company's legal representative shall draft and sign the consolidated text of such documents.

Amendments of the memorandum of association and articles of association, as well as the consolidated texts of such documents, following any such amendment, are registered in accordance with the registration act.

Nullity of Memorandum of Association

Article 13

A Memorandum of association is null and void if:

1) It does not have the form provided under this Act; or

2) The company's business activity as stated in the memorandum of association is contrary to the imperative regulations or public order; or

3) It does not include provisions on the company's business name, members' contributions, the amount of the share capital or the company's predominant activity; or

4) All signatories, in the moment of entering a memorandum of association, did not have legal capacity.

Except for reasons provided under paragraph 1 hereof, a memorandum of association may not be pronounced null and void on other grounds.

Procedure of Establishing Nullity and its Effect

Article 14

Nullity of a memorandum of association is established by a competent court.

If reasons for nullity are not removed by the conclusion of the main hearing, the court shall establish the nullity of a memorandum of association by means of a judgment.

If a company is registered, once the judgment establishing the nullity of a memorandum of association becomes final, the court delivers it to the business entities register, for the purpose of registration and initiating the procedure of compulsory liquidation of the company, in keeping with this Act.

Nullity of a memorandum of association does not have effect on the company's legal transactions with bona fide third parties.

Limited partners, members of a limited liability company and shareholders shall pay, i.e. enter the subscribed capital, and perform other duties undertaken towards the company, to the extent necessary to fulfill the obligations of the company towards bona fide third parties.

General partners and limited partners have joint and several and unlimited liability for the company's obligations towards bona fide third parties.

Agreements in Relation to the Company

Article 15

A member of a company may conclude an agreement in writing with one or more members of the same company whereby stipulating the issues of importance for their mutual relations with regard to the company.

The agreement referred to in paragraph 1 of this Article is applicable solely among members of the company who have concluded it.

The agreement from paragraph 1 of this Article in case of general partnership is called a general partnership agreement, in case of a limited partnership and limited liability company - members' agreement, while in case of a joint stock company - the shareholders' agreement.

Reimbursement of Costs Related to Company Incorporation

Article 16

A company may reimburse the costs related to company incorporation to its members only if so provided by the memorandum of associationor articles of association.

In case referred to in paragraph 1 of this Article, the memorandum of associationor articles of association shall determine or assess the amount of such costs.

3. Liability for Company's Obligations

Member Liability

Article 17

The company members are liable for the obligations of the company in keeping with the provisions of this Act that govern certain company forms, as well as in cases from Article 18 of this Act.

Piercing the Corporate Veil

Article 18

A limited partner, a member of a limited liability company and a shareholder, as well as a legal representative of such person in case of legal incapacity of such natural person, who abuses the rule of limited liability, is held liable for the company's obligations.

It shall be considered that an abuse, as specified under paragraph 1 of this Article, has occurred in particular if that person:

1) Uses the company to achieve a goal that is otherwise forbidden to him;

2) Uses the company's assets or disposes with them as if they were his own;

3) Uses the company or its assets for the purpose of damaging the company's creditors;

4) In order to procure personal gain or gain for third parties reduces the company's assets, although the person was aware or had to be aware that the company would not be able to fulfill its obligations.

A company creditor may file an action against the person from paragraph 1 of this Article to the court that has jurisdiction according to the company seat within a term of six months from the day of finding out about the abuse, and no later than five years from the day of abuse.

If the creditor's claim under paragraph 3 of this Article was not due at the moment the creditor found out about the abuse, the six-month deadline starts running as of the day the claim becomes due.

4. Company Seat and Receiving Mail

Seat

Article 19

A company seat is the place on the territory of the Republic of Serbia from which the company's operations are managed and that has been determined as such by the memorandum of association, articles of association or general meeting’s resolution,i.e. by the decision of general partners or limited partners.

If a company permanently conducts its activity in a place that is different from its seat, third parties may base a court’s jurisdiction against such company according to this place as well.

The resolution on the change of seat is rendered by general meeting, unless the memorandum of association, or articles of association provide otherwise.

The address of the company seat is registered in accordance with the registration act.

Serving and Address for Receiving Mail

Article 20

Serving is made at the address of the company seat.

A company may have a separate address for receiving mail in the territory of the Republic of Serbia, which is registered in accordance with the registration act.

If a company has a separate address for receiving mail, serving is made to that address instead of the address of the seat of the company.

If the serving of a document on the company at the address for receiving mail, i.e. at the address of the company's seat if the company does not have a registered address for receiving mail, via registered mail, in terms of an act governing postal services, was unsuccessful, it shall be considered that the serving of such mail was duly performed upon the expiration of a term of eight days of the day of the second mailing of that mail, on condition that at least 15 days have lapsed between those two mailings.

Serving of documents in court, administrative, tax and other proceedings is performed in keeping with separate acts.

Address for Receiving E-mail

Article 21

A company is obliged to have an address for receiving electronic mail, which is registered in accordance with the registration act.

Whether the electronic document was duly served on the company is determined in keeping with the law that regulates the electronic document.

5. Business Name

Business Name

Article 22

A company operates and participates in legal transactions under a business name, which it had registered in accordance with the registration act.

A business name shall contain the company name, legal form and place of the company seat.

The company name is a characteristic part of the business name which differentiates that company from other companies.

Legal form is indicated in the business name as follows:

1) For a general partnership by the word "general partnership" or the abbreviation "g.p." or "gp".

2) For a limited partnership by the words "limited partnership" or the abbreviation "l.p." or "lp".

3) For a limited liability company by the words "limited liability company" or the abbreviation "l.l.c." or "llc".

4) For a joint stock company, by the words "joint stock company" or the abbreviation "j.s.c." or "jsc".

The words "in liquidation" are added to the business name of a company undergoing the procedure of liquidation.

Next to the business name of the company undergoing the procedure of compulsory liquidation a designation "in compulsory liquidation" is added.

The business name may also include the description of the company's business activity.

The business name also includes other elements if so provided by law.

The decision on the business name is made by the general meeting, general partners, i.e. limited partners.

Abbreviated Business Name

Article 23

A company may use in its operations an abbreviated business name in addition to the business name, under the same conditions under which it uses the business name.

The abbreviated business name shall contain the company name and legal form and is registered in accordance with registration act.

If the designation, i.e. description of the business activity referred to in Article 22, paragraph 7 of this Act consists of more than one word, the abbreviated business name may contain the acronyms of words from the designation and description of the business activity, provided that these acronyms may not be identical to the name of another company or cause the identity confusion with another company.

Language and Alphabet of the Company's Business Name

Article 24

The company's business name is in Serbian language, in Cyrillic or Latin alphabet.

As an exception, the company name may be in a foreign language or may include certain foreign words or characters, in Latin alphabet of English language, as well as Arabic or Roman numerals.

The company may use in its operation the translation of the business name or the translation of the abbreviated business name in a national minority language or a foreign language, at the occasion of which the name is not translated.

Translation of a business name referred to in paragraph 3 of this Article is registered in accordance with the registration act.

Usage of Business Name, Stamp and Other Data in Documents

Article 25

Business letters and other company's documents, also including the ones in electronic form, that were addressed to third parties, contain the business name or abbreviated business name, seat, mailing address if it differs from the company seat, the company registration number and the company's tax identification number.

In addition to the business name, the company may use a coat of arms, flag, emblem, logo or other symbol of the Republic of Serbia or a foreign state, domestic territorial unit or autonomous province, international organization, with consent of the competent authority of that country, domestic territorial unit and autonomous province or international organization.

A separate regulation may not institute an obligation to the company to use the stamp in business letters and other company documents.

When entering into legal transactions, i.e. undertaking legal acts by the company, the courts, state bodies, organizations and persons exercising public authority, as well as other legal persons, may not express objections regarding the non-usage of stamps, nor may they be stated as a reason for annulment, termination, i.e. inapplicability of the concluded legal transaction, i.e. undertaken legal

act, even in the case when the company by-laws stipulate that the company has and uses the stamp in the business operations.

A company shall not rely on deficiencies in regards to the form of business letters and other documents prescribed by this Article against bona fide third parties.

Restrictions to the Transfer and Use of the Name

Article 26

The company name may not be transferred to another company, except as a consequence of a status change whereby such name is taken over by the recipient company from the transferring company that ceases to exist by virtue of the status change.

If a legal person who is a member of a company, the name of which is included in the business name of the company ceases to be the member of that company, that company's name may continue to include such name only with that persons' consent.

Restrictions Regarding Business Name

Article 27

A company's business name shall not be such as to:

1) Offend the public morality;

2) May lead to misconception regarding the company’s legal form;

3) May lead to misconception regarding company's predominant activity.

A business name that does not meet the conditions referred to in paragraph 1 of this Article may not be registered in the business entities' register.

In case of breach of provision from paragraph 1, item 1) of this Article the public attorney of the Republic may file an action to the competent court against the company that commits such breach (hereinafter referred to as: the offending company), demanding a change of name of the offending company.

The proceeding following the action from paragraph 2 of this Article is urgent.

Once the judgment ordering the change of the offending company's name becomes final, the court delivers it to the business entities' register for registration purposes.

If the offending company does not change its name within a term of 30 days of the finality of the judgment under paragraph 4 of this Article, the business entities’ register, ex officio, launches the proceeding of compulsory liquidation of the offending company

Protection of Company’s Name

Article 28

A company's name may not be identical with another company's name.

A company's name shall differ from another company's name so that it does not mislead in terms of company's identity with regard to another company.

In case of breach of provisions of paragraphs 1 and 2 hereof, an interested party may file an action against the company in breach (hereinafter referred to as: the offending company) in which it may demand:

1) Change of the offending company's name and/or

2) Compensation of the damage incurred.

The action referred to in paragraph 3 of this Article may be filed within three years of the day of

registration of the offending company's name in keeping with the registration act.

The proceeding following the action from paragraph 3 of this Article is urgent.

Once the judgment ordering the change of offending company's name becomes final, it is delivered by the court to the business entities' register for the purpose of registration.

If the offending company does not change the name within a term of 30 days from the finality of the judgment referred to in paragraph 6 of this Article, the business entities register initiates, ex officio, the procedure of compulsory liquidation of the offending company.

Provisions of this Article do not affect the rights of the interested party referred to in paragraph 3 of this Article under regulations on unfair competition and regulations on the protection of intellectual property.

Restrictions on the Use of National or Official Names and Symbols

Article 29

A business name of a company may contain the word "Serbia", a word that represents the name of a territorial unit or autonomous province of the Republic of Serbia, derivatives of these words, including all forms that remind to these words, as well as the internationally recognized three-letter code of the Republic of Serbia "SRB", with previous consent of the competent authority, in accordance with the law.

The company's business name may include the name of a foreign state or an international organization, with consent of that country's or international organizations' competent authority.

The provisions of paras. 1 and 2 of this Article also relate to the names in a foreign language, and to their respective case forms.

Notwithstanding paras. 1 and 2 of this Article, the consent is not necessary if the founder's business name contains the name of that country, domestic territorial unit and autonomous province or international organization.

At the request of the country, domestic territorial unit and autonomous province or international organization whose name is an integral part of the company's business name, its name shall be deleted from the company's business name in the register of business entities.

Restrictions on Use of Personal Names

Article 30

A company's business name may include a natural person's name with his consent, and if that person is deceased, the consent of his legal heirs.

If a company member whose personal name is included in the company's business name ceases to be the member of that company, that company's business name may continue to include such personal name only with that person's consent, or, if that person is deceased, with the consent of his legal heirs.

In case of breach of the provisions of paras. 1 and 2 above, the natural person, and if that person is deceased, his legal heirs, realize protection in keeping with Article 28 hereof.

Notwithstanding the existence of consent from paragraph 1 above, if a company, in its operations or otherwise, offends the honor and reputation of the person whose name was entered in its business name, that person, and if that person is deceased, his legal heirs, may file an action to the competent court to request deletion of his name from the company's business name and compensation of possible damage inflicted on him.

6. Representation and representatives

6.1. Representatives

Company's legal (statutory) representatives

Article 31

Company's legal (statutory) representatives, in terms of this Act, are persons who have been designated as such by this Act for each individual company form.

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

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

A company which acts as a legal representative conducts this function through its legal representative, who is a natural person, or through a natural person so authorized by a special power of attorney issued in writing.

Company's legal representatives and persons referred to in paragraph 4 above are registered in accordance with the registration act.

Other representatives

Article 32

In addition to legal representatives, a company's representatives, in terms of this Act, are also the persons who are authorized, by means of a by-law or a company's competent body's resolution, to represent the company, and who are registered as such in keeping with the registration act.

If a company continually accepts that a person acts as its representative in the manner that leads third parties to conclude that he has the right to represent, it shall be considered that a company has de facto authorized such person for representation, unless the company proves that the third party was aware or must have been aware of the lack of authorization for representation of such person.

Restrictions to Representative's Authorities

Article 33

A representative shall act in line with the restrictions of his authorities established in the company's bylaws or resolutions of the company's competent bodies.

Restrictions of legal representative's authorities may not be relied on against third parties.

Notwithstanding paragraph 2 above, the restrictions of legal representative's authorities that relate to joint representation, i.e. mandatory co-signing may be relied on against third parties if they are registered according to the registration act.

Proxy by Employment

Article 34

Company employees whose job description in regular operation includes concluding or implementation of certain contracts or taking other legal actions, are authorized to conclude and implement such contracts, or take such actions as company's proxies, without a special power of attorney, within the limits of the jobs they perform.

It is considered that an employee, in terms of this Act, is a natural person employed with the

company, as well as a person who is not employed with the company, if he holds a position in the company.

6.2. Procuration

Concept of Procuration

Article 35

Procuration is a business power of attorney whereby a company authorizes one or more natural persons (hereinafter referred to as: the procurator) to conclude legal transactions and take other legal actions in its name and on its behalf.

Exceptionally, procuration may be issued for the company's branch only.

Procuration is not transferrable and a procurator may not issue a power of attorney to another person.

Appointing the Procurator

Article 36

A procuration is instituted by a decision of all general partners, i.e. limited partners, general manager, board of directors or executive board, unless otherwise provided in the company's memorandum of association, i.e. articles of association.

Procurator is registered in accordance with the registration act.

Types of Procuration

Article 37

A procuration may be individual or joint procuration.

If procuration was issued to two or more persons without an indication that it is a joint procuration, each procurator acts independently.

If procuration was issued as joint procuration, legal transactions concluded or legal actions taken by the procurators are valid with express consent of all procurators, unless it is indicated in the procuration that consent of a specific number of procurators suffices for validity.

Consent from paragraph 3 above may be given in advance or subsequently.

Expression of will or a legal action taken towards one procurator has legal effect as if it was taken towards all procurators.

Limitations of Procuration

Article 38

A procurator may not do the following without a special authorization:

1) Conclude legal transactions and take legal actions with regard to acquisition, disposal of or burdening immovables and shares and stocks the company holds in other legal persons;

2) Undertake obligations under a bill of exchange or surety;

3) Conclude loan and credit agreements;

4) Represent the company in court proceedings or before arbitration.

Restrictions of a procuration that have not been expressly provided in this Act do not have effect

against third parties.

Notwithstanding paragraph 2 above, it is allowed to limit the authorities of a procurator by means of a co-signature with the company's legal representative.

Revocation and Cancellation of Procuration

Article 39

A company may revoke procuration at any time.

A company may not waive its right to revoke procuration, nor can such right be limited or conditioned in any way.

A procurator may terminate procuration at any time, provided that in the subsequent 30 days, counting from the day of delivery of the notice of termination to the company, he enters into legal transactions and takes other legal actions if necessary to avoid damage being incurred to the company.

Procuration Issued by a Sole Trader

Article 40

A sole trader personally issues procuration, and may not transfer the authority for issuing procuration to another person.

6.3. Liability and Limitations of Representatives, Proxies by Employment and Procurators

Exceeding the Authorization

Article 41

A company's representative, proxy by employment and procurator are liable for damage they incur to the company by exceeding the limits of their authorizations.

Notwithstanding paragraph 1 above, persons from paragraph 1 of this Article are not liable for damage if they acted in keeping with the resolution of the competent body of the company, i.e. if their actions have subsequently been approved by this body.

Limitations in Concluding Contracts on Behalf of the Company

Article 42

A company representative, proxy by employment and procurator may not act, without a special authorization, as the other contracting party and conclude contracts with the company in his name and for his own account, in his name but for the account of another person, or on behalf and for the account of another person.

Authorization from paragraph 1 of this Article is given by a resolution of general partners, limited partners, i.e. general meeting, unless otherwise provided in the company's memorandum of association or articles of association

The limitation under paragraph 1 above does not apply to the legal representative who is at the same time the company's sole member.

Signing

Article 43

When signing documents on behalf of the company, each company’s representative and procurator shall add to the signature his position in the company.

Stating of position in accordance with paragraph 1 above is not a formal condition for validity of the document signed.

7. Company's Assets and Capital

7.1. Fundamental Terms

Assets, Net Assets and Share Capital

Article 44

The company's assets, in terms of this Act, comprise tangible and intangible assets owned by the company, as well as other company's rights.

The company's net assets (capital), as referred to in this Act, amount to a difference between the value of assets and the company's liabilities.

The company's share (registered) capital is the pecuniary value of the company's members' subscribed contributions to the company, which is registered in accordance with the registration act.

7.2. Contributions to the Company

Types of Contributions

Article 45

Contributions to the company may be pecuniary or in kind, and are expressed in dinars.

If a pecuniary contribution is paid in a foreign currency in accordance with the law governing foreign currency operations, the dinar counter value of the contribution is calculated using the National Bank of Serbia middle exchange rate on the day of contribution payment.

In kind contributions may be given in tangibles or intangibles, unless otherwise specified by this Act for certain types of companies.

Obligation to Pay, or Enter the Contribution

Article 46

Persons who have, under the memorandum of association or otherwise, taken on the responsibility of paying, or entering a certain contribution to the company, are liable to the company for fulfillment of that obligation and are obliged to compensate damage caused to the company by failing or being late to carry out that duty.

Upon company incorporation or increase in share capital, pecuniary and in kind contribution must be paid, i.e. entered into within the time limit stipulated in the memorandum of association, i.e. resolution on capital increase, provided that such time limit is calculated as of the day of registration of the memorandum of association, i.e. resolution on capital increase, and may not exceed:

1) In case of increase of capital of a joint stock company that is a public company following a successful public offer of shares, with publishing of a prospectus, in terms of the law governing the capital market (hereinafter: a public joint-stock company), by pecuniary contribution through a public

offer - immediately after the expiry of the time limit for subscribing shares, in accordance with the law governing capital market, and two years in other cases;

2) Five years for other companies, unless in case when shares are issued in a public offer procedure in terms of the law governing capital market whereby a joint stock company becomes a public joint stock company, when the contribution must be paid immediately after the expiry of the time limit for subscribing shares.

A company may not release the persons from paragraph 1 of this Article of the obligation to pay up, i.e. enter the contribution to the company, except in the procedure of reduction of capital with the application of provisions of Article 147a of this Act, i.e. Article 319 of this Act regarding the protection of creditors.

Notwithstanding paragraph 3 of this Article, a resolution of general partners, limited partners, i.e. general meeting, may replace the obligation of the person from paragraph 1 of this Article with another obligation, with his consent, and in particular:

1) The obligation to pay the pecuniary contribution to the company with the obligation to enter an in kind contribution of the same value, except in the case of public offer of shares with publishing of prospectus;

2) Obligation to enter an in kind contribution into the company with the obligation to pay the pecuniary contribution of the same value;

3) Obligation to enter a non-pecuniary contribution into the company with the obligation to enter another non-pecuniary contribution of the same value.

The resolution referred to in paragraph 4 of this Article is adopted as follows:

1) In case of a general or limited partnership unanimously by general i.e. limited partners, unless otherwise provided by the memorandum of association;

2) In case of a limited liability company by a two-thirds majority of the votes of all members of the company, unless the memorandum of association determines a larger majority;

3) In case of a joint stock company by a three-fourths majority of the votes of the present shareholders, unless the articles of association determine a larger majority.

Consequences of Undertaking the Obligation to Pay or Enter the Contribution

Article 47

Pursuant to the obligation taken, the persons from Article 46, paragraph 1 hereof acquire a share in the company, or the company's stocks.

Contributions that are paid or entered into the company become the company's property.

Consequences of Failing to Pay, or Enter the Contribution

Article 48

The memorandum of association, i.e. the articles of association in case of a joint stock company, may stipulate an obligation to pay liquidated damages for untimely performance, or failure to perform the obligation referred to in Article 46, paragraph 1 of this Act concerning a in kind contribution.

In case a shareholder fails to perform his obligation from Article 46, paragraph 1 of this Act, a company may invite him in writing to perform that obligation in an additional term which may not be shorter than 30 days from the day of dispatch of such invitation.

As an exception, a public joint stock company shall issue the invitation referred to in paragraph 2 of this Article within a term of 90 days from the day of the expiry of the time limit for the performance of obligation by a company member referred to in Article 46 paragraph 1 of this Act, unless a shorter time limit was prescribed by the memorandum of association, i.e. articles of association.

If multiple company members have failed to perform their obligation under Article 46, paragraph 1 of this Act, the invitation under paragraph 2 of this Article is served to them simultaneously, whereby determining the same term for performance of the obligation.

In the invitation from paragraph 2 of this Article the company is obliged to warn that member about the consequences of failing to execute his duty in that additional time limit.

The company shall publish the invitation from paragraph 2 of this Article on the business entities register's internet page within a term of three days from the day of forwarding the invitation, for the duration which at least equals the duration of the term under paragraph 2 of this Article.

If the company member omits to perform his obligation, even in the additional term, the company may pass a decision to expel such member from the company,i.e. in case of a joint stock company, a decision to withdraw and annul without compensation the shares of that shareholder which have not been paid, i.e. for which no in kind contribution has been entered into the company.

A public joint stock company is obliged to make the decision referred to in paragraph 7 of this Article.

Liability in Case of Transfer of Shares or Stocks

Article 49

In case of a transfer of shares, or stocks, the transferor and acquirer are jointly and severally liable to the company for obligations of the transferor with regard to the contribution which occurred until the time of that transfer, in keeping with the provisions of this Act for each individual form of a company.

The rights of the company from paragraph 1 of this Article are exercised by an action filed to the competent court, which, apart from the company, may also be filed by the company members who own or represent at least 5% of the company's share capital.

Establishing the Value of a in Kind Contribution

Article 50

The value of an in kind contribution is established:

1) By the sole member of the company or by mutual agreement of all the company's members;

2) By means of appraisal, pursuant to Art. 51 to 58 of this Act.

In public joint stock companies, the value of in kind contribution is established exclusively by means of an appraisal pursuant to Art. 51 to 58 of this Act.

Appraisal of in Kind Contribution

Article 51

In kind contributions to the company are appraised by a certified expert witness, auditor or other qualified person authorized by a competent state authority of the Republic of Serbia to appraise the values of certain tangibles and intangibles.

The appraisal from paragraph 1 of this Article may also be performed by a company that meets the conditions prescribed by law to appraise the value of tangibles and intangibles subject to appraisal.

The appraisal referred to in paragraph 1 above may not be older than one year from the day the in kind contribution was entered into the company.

Appraisal from para. 1 to 3 above is registered and published in keeping with the registration act.

Contents of Appraisal

Article 52

The appraisal from Article 51 of this Act includes in particular:

1) Description of each tangible or intangible constituting the in kind contribution;

2) Appraisal methods used;

3) Statement as to whether the appraised value is at least equal to:

(1) Par value of the shares acquired in the case of a general partnership, limited partnership and a limited liability company or

(2) Par value of the stocks acquired, or accounting value in the case of stocks without par value, increased for the premium paid for such stocks if it exists, in the case of a joint stock company.

Selection of Appraiser

Article 53

In case of appraisal of value of an in kind contribution at the occasion of incorporation, the person from Article 51, paras. 1 or 2 of this Act are selected by mutual agreement of the company members and, in other cases, that person is selected by a general manager, board of directors, or a supervisory board if management of the company is organized in two-tiers, unless provided otherwise by the company's memorandum of association or articles of association.

Changed Circumstances

Article 54

In case that from the day of appraisal referred to in Article 51 of this Act until the moment of the entering of the in kind contribution into the company circumstances occurred which significantly reduce the value of such in kind contribution, the company shall to re-appraise such contribution prior to its entering, pursuant to Art. 51 through 53 of this Act.

In the case referred to in paragraph 1 of this Article the company member who enters the in kind contribution shall pay in cash to the company the difference between the two values within the time limit prescribed for entering the in kind contribution.

Rights of Company Members if New Appraisal was not Executed

Article 55

If the company fails to act in keeping with the provisions of Article 54 of this Act, company members who owned shares or stocks that represent at least 5% of the company's share capital on the day of rendering of the decision to subscribe shares or issue stocks by means of that in kind contribution are entitled to make a request to the company, in writing, all up to the moment of its entering into the company, to carry out the appraisal of that in kind contribution in accordance with Art. 51 to 53 of this Act, under condition that at the time of making such request they also own shares or stocks representing at least 5% of the company's share capital.

If the company fails to act in line with the request from paragraph 1 of this Article within a term of 15 days of the day of receipt of that request, the company members referred to in paragraph 1 of this Article are entitled to demand that the competent court establishes the value of the subject kind contribution in non-contentious proceedings.

The motion from paragraph 2 above may be filed to the competent court until the expiry of the term of 90 days from the day of entering of the in kind contribution into the company.

Exception from the Obligation to Appraise the Value of the in Kind Contribution that is not Made up of Securities and Financial Instruments

Article 56

Notwithstanding Article 51 hereof, the company's board of directors, or supervisory board if the company has a two-tier management system, or another body designated by the company's memorandum of association, i.e. articles of association, may render a decision not to carry out the appraisal of the in kind contribution not made up of securities and financial instruments if the market value of if the market value of individual tangibles and intangibles making up the in kind contribution may be determined from the annual financial reports of the person entering the contribution, provided such reports were subject to audit and that the auditor's opinion was positive for the year preceding the year in which the in kind contribution is entered.

In case that, from the date of the financial reports from paragraph 1 of this Article until the moment of entering the in kind contribution into the company, circumstances which significantly alter the value of such in kind contribution occurred, Article 54 hereof of this Act shall apply mutatis mutandis.

Company members who disagree with the decision not to appraise the in kind contribution referred to in paragraph 1 hereof, who had owned shares or stocks representing at least 5% of the company's share capital on the day of rendering of the decision on subscribing the share or issuing of stocks via in kind contribution are entitled to demand from the company or the competent court to conduct appraisal of the value of the in kind contribution by mutatis mutandis application of Article 55 of this Act.

Establishing the Value of Securities and Financial instruments

Article 57

If an in kind contribution is made up of securities or financial instruments, the value of such contribution is determined 60 days prior to entering such contribution in the company at the latest.

The value of the in kind contribution referred to in paragraph 1 of this Article is determined as the weighted average price of such securities, i.e. money market instruments realized on a regulated market, i.e. multilateral trading platform in the sense of the law governing the capital market, in the period of six months preceding the day this value has been determined, provided that the volume of turnover of securities i.e. instruments of the money market realized in that period whose value is determined, amounted to at least 0.5% of their total issued number and that in the same period trading was conducted during more than 1/3 of trading days per month.

If conditions from paragraph 2 of this Article were not met, or if during the period from the day the value from paragraph 1 hereof was determined until the day the in kind contribution was entered into the company circumstances have occurred that considerably alter the value of such in kind consideration, the company shall appraise its value in accordance with Article 51 of this Act.

If the company fails to act in line with paragraph 3 above, company members who own the shares or stocks representing at least 5% of the company' share capital are entitled to demand, until the expiry of a term of 90 days of the day of entering of the in kind contribution into the company, that the competent court establishes the value of that in kind contribution in a non-contentious proceeding.

The company may decide to determine the value of the in kind contribution from paragraph 1 above by appraisal in accordance with Article 51 of this Act even when conditions from paragraph 2 of this Article are met.

Obligations of the Company if the Appraisal of Value of in Kind Contribution was not Performed

Article 58

If, under Articles 56 and 57 of this Act, no appraisal of the value of the in kind contribution was performed, the chairman of the board of directors, or of the supervisory board, in case of two-tier management system in the company, shall issue a certificate which includes:

1) Description of the subject in kind contribution;

2) Its value, the manner in which this value was established and methods of its appraisal, if applicable;

3) Statement as to whether the value established through the application of these methods is at least equal to the total par value, or, in the absence of the par value, to the accounting value of the shares, i.e. stocks acquired, increased by the premium paid for these stocks, if it exists; and

4) Statement that circumstances which significantly change the value of this in kind contribution have not occurred.

Certificate from paragraph 1 of this Article is registered in accordance with the registration act.

Refuting the Mutually Agreed Value of in Kind Contribution

Article 59

If the value of the in kind contribution was determined by agreement of the company members pursuant to Article 50, paragraph 1, item 1) of this Act, and the company is unable to settle its liabilities in its regular course of business, a company's creditor is entitled to demand that the competent court establishes in non-contentious proceedings the value of the in kind contribution at the time such contribution was entered.

If the court, in the proceeding from paragraph 1 of this Article establishes that the value of the in kind contribution was smaller than the one established by agreement, the court shall instruct the company member who entered such in kind contribution to pay to the company the difference up to the value of this contribution established by agreement and to bear the costs of court procedure from paragraph 1 above jointly and severally with the company.

The company member, who entered the in kind contribution the value of which was established by agreement, bears the burden of proving the value of this in kind contribution.

Motion to the competent court referred to in paragraph 1 of this Article may not be filed after the expiry of the term of five years as of the day the in kind contribution was entered into the company.

Ban on Contribution Refund

Article 60

Paid or entered contributions may neither be refunded to the company's members shareholders, nor may any interest be paid to them for what they have invested into the company.

Payment of price when acquiring own shares, or stocks, as well as other payments to company members done in accordance with this Act, are not considered to be refund of the contribution to the company members.

8. Special Duties towards the Company

Persons with Special Duties towards the Company

Article 61

The following persons have special duties towards the company:

1) General partners;

2) Members of a limited liability company who own a significant share in the company's share capital or limited liability company member who is the controlling member of the company in terms of Article 62 of this Act;

3) Shareholders who own a significant share in the company's share capital or a shareholder who is the controlling shareholder of the company in terms of Article 62 of this Act;

4) Directors, supervisory board members, representatives and procurators;

5) Liquidator.

Other persons may also be designated as persons with special duties towards the company by means of a memorandum of association, or articles of association.

Affiliated Persons

Article 62

An affiliated person, in terms of this Act, in relation to a specific natural person is considered to be:

1) His blood relative in direct vertical lineage or blood relative in horizontal lineage up to the third degree of kinship, as well as such persons' spouse or non-marital partner;

2) His spouse or non-marital partner and their blood relatives up to the first degree of kinship;

3) His adoptive parent or adoptee, as well as adoptees offspring;

4) Other persons who live with this person in a joint household.

An affiliated person in terms of this Act in relation to a specific legal person is considered to be:

1) A legal person in which that legal person holds a considerable share of capital, or the right to acquire such share from convertible bonds, warrants, options and the like;

2) A legal person in which that legal person is the controlling member of the company (a controlled company);

3) A legal person that is, together with that legal person, under the control of a third person;

4) A person who owns a significant share in the capital of that legal person, or the right to acquire such share from convertible bonds, warrants, options and the like;

5) A person who is the controlling member of that legal person;

6) A person who is a director, i.e. a member of a managing or supervisory body of that legal person.

Significant share in the share capital exists if one person, independently or with other persons acting jointly with that person, owns more than 25% of the voting right in the company.

Majority share in the share capital exists if one person, independently or with other persons acting jointly with that person, owns more than 50% of the voting right in the company.

Control as referred to under paragraph 2 of this Article implies the right or possibility that one person, independently, or with other persons acting jointly with him, caries out the controlling influence on the business operations of another person by means of having a share in the share capital, by means of a contract or right to appoint the majority of directors, i.e. supervisory board members.

It is considered that a particular person is the controlling member of the company whenever such a

person owns the majority share in the company's share capital independently or with affiliated persons.

Acting jointly exists when two or more persons, pursuant to a mutual express or tacit agreement, use voting rights in a certain person or take other actions for the purpose of carrying out joint influence on the management or operations of that person.

8.1. Due diligence

Notion

Article 63

Persons referred to in Article 61, paragraph 1, items 4 and 5 of this Act shall perform, in that capacity, their duties with due diligence, showing the care of a prudent businessman, and in a reasonable conviction that they act in the company's best interest.

Care of a prudent businessman as referred to in paragraph 1 above implies the degree of attention enacted by a reasonably diligent person who possesses knowledge, skills and experience which could reasonably be expected for carrying out of that duty in a company.

If the person from Article 61 paragraph 1, items 4 through 5 possesses specific knowledge, skills or experience, this knowledge, skills and experience shall be taken into account on assessing the degree of diligence.

It is considered that the persons from Article 61, paragraph 1, items 4 through 5 of this Act may also base their actions on information and opinions of persons who are experts in a particular field, for whom they reasonably believe that they acted with diligence in that case.

The person referred to in Article 61, paragraph 1, items 4 through 5 who proves that it acted in keeping with this Article shall not be held liable for damages incurred to the company from such acting.

Action for Breach of Due Diligence

Article 64

A company may file an action against person referred to in Article 61 paragraph 1 items 4 through 5 of this Act for compensation of damages caused by that person through breach of due diligence from Article 63 hereof.

8.2 Duty to Report Transactions and Actions in which there is Personal Interest

Notion

Article 65

The person from Article 61 of this Act shall notify the board of directors, i.e. supervisory board in case of two-tier management system in the company, of the existence of personal interest (or interest of its affiliated person) in the legal transaction entered into by the company, or in the legal action taken by the company.

Notwithstanding paragraph 1 above, in case of a company which has one director, notification from paragraph 1 of this Article shall be sent to the general meeting, i.e. supervisory board in case of a two-tier management system.

It shall be considered that there is a personal interest of the person referred to in Article 61 of this Act in case of:

1) Entering into a legal transaction between the company and that person (or its affiliated person);

or

2) Legal action (taking actions in court and other proceedings, waiving the rights, and similar) that the company undertakes towards this person (or towards its affiliated person); or

3) Entering into a legal transaction between the company and a third party, or undertaking a legal action towards a third party, if such third party is in a financial relationship with it (or with its affiliated person), and if it can be expected that the existence of such a relationship affects its actions; or

4) Entering into a legal transaction, i.e. undertaking a legal action by the company from which a third party has commercial interest, if such third party is in a financial relationship with it (or with its affiliated person), and if it can be expected that the existence of such relationship affects its actions.

Approval of a Legal Transaction or Action in Case of Existence of Personal Interest

Article 66

In cases under Article 65 of this Act, as well as in other cases provided by this Act, entering into a legal transaction, i.e. undertaking of a legal activity is approved in the following manner, unless a different majority is specified by a memorandum of association, i.e. articles of association:

1) In case of a general partnership, i.e. limited partnership by the majority of votes of all general partners, i.e. limited partners who do not have a personal interest;

2) In case of a limited liability company, if the general manager's has a personal interest involved, by a simple majority of votes of all member of the company who do not have such an interest involved, i.e. by the supervisory board in case of a two-tier management system in the company, and if a member of the supervisory board, i.e. a member of the company have a personal interest involved, by a simple majority of votes of all members of the supervisory board who do not have such an interest involved, i.e. by a simple majority of votes of all company members company who do not have such an interest involved;

3) In case of a joint-stock company, if the general manager has a personal interest involved, by a simple majority of votes of all directors who do not have such an interest involved, i.e. by the supervisory board if the company has a two-tier management system, if there is personal interest of shareholders involved by a simple majority of all directors, i.e. by the supervisory board if the company has a two-tier management system, and if there is a personal interest of a member of the supervisory board involved, by a simple majority of votes of all members of the supervisory board who do not have such an interest involved.

Prior to approving the conclusion of the legal transaction or undertaking of the legal activity referred to in paragraph 1 of this Article, in the event that the value of the subject of the transaction or legal activity is 10% or more than 10% of the carrying amount of the total assets of the company shown in the last annual balance sheet, the corporate body which received the notification referred to in Article 65, paras. 1 and 2 of this Act appoints a person referred to in Article 51, paras. 1 and 2 of this Act which shall make an assessment of the market value of the objects or rights that are the subject matter of the legal transaction or legal activity, and make a report on it.

The report under paragraph 2 of this Article is an integral part of the decision whereby the legal transaction, i.e. legal activity which involves personal interest is approved.

If, due to the number of members of the board of directors who do not have a personal interest in the subject matter, there is no quorum for voting, or if due to equal distribution of votes among the members of the board of directors, i.e. the supervisory board a decision cannot be made, the legal transaction in question is approved by the general meeting by a simple majority of votes of the present shareholders who do not have a personal interest involved in that transaction, or by a simple majority of votes of all members of the company who do not have a personal interest involved in that transaction.

The memorandum of association, i.e. articles of association may specify that the approval referred to in paragraph 1 items 2) and 3) of this Article is granted by the general meeting.

In case that the board of directors, i.e. supervisory board approves a legal transaction in which there is a personal interest involved, the company's general meeting is notified thereof in the first

following session.

The notification referred to in paragraph 6 of this Article must contain a detailed description of the legal transaction, as well as the nature and scope of the personal interest.

With regard to adopting the decision from paragraph 1 of this Article for the purpose of establishing a quorum, it shall be considered that the total number of votes is the total number of votes of those members of the company who do not have a personal interest involved in the subject-matter transaction.

The company referred to in paragraph 1, items 2) and 3) of this Article is obliged to publish on its internet page or on the internet page of the register of business entities a notice of the concluded legal transaction, i.e. undertaken legal activity, with a detailed description of that transaction or activity and all relevant facts about the nature and scope of the personal interest, within three days from the day of conclusion of that legal transaction, i.e. undertaking of such legal activity.

The approval from paragraph 1 of this Article is not needed in case of:

1) A legal transaction is concluded or a legal activity is undertaken, in the event that the value of the subject matter of that transaction or legal activity is less than 10% of the carrying amount of the total assets of the company shown in the last annual balance sheet;

2) Existence of personal interest of the sole member of the company;

3) Existence of personal interest of all members of the company;

4) Subscription, i.e. purchase of shares, i.e. stocks pursuant to a pre-emptive subscription right, i.e. pre-emptive purchase right of the company members;

5) Acquisition of own shares, or stocks by the company, if such acquisition is carried out pursuant to the provisions of this Act that refer to own shares, i.e. stocks or pursuant to the law that regulates the capital market.

6) When a member of a company that has significant participation in the company's share capital or a controlling member of a company within the meaning of Article 62 of this Act is the Republic of Serbia, an autonomous province or a local government unit.

Several related individual transactions, i.e. legal activities carried out during a period of one year shall be considered as one legal transaction, i.e. one legal activity to be approved in accordance with the provisions of this Article, and it shall be deemed that the time the transaction, i.e. legal activity was generated was the day when the last legal transaction, i.e. legal activity had been undertaken.

The provisions of Article 470 paras. 6 and 7 of this Act apply mutatis mutandis to the related legal transactions, i.e. legal activities referred to in paragraph 11 of this Article.

Action due to a Breach of Rule on Approving Transactions which Involve Personal Interest

Article 67

If an approval of a legal transaction, i.e. legal action pursuant to Article 66 hereof was not obtained, or, if the company's competent body, when deciding on approving a legal transaction, i.e. taking a legal action pursuant to Article 66 hereof was not presented with all the relevant facts for adopting such a resolution, the company may file an action for annulment of such a legal transaction, i.e. action, and for the compensation of damages by the person from Article 61 hereof which had a personal interest in that transaction, or legal action.

If in the procedure under the action referred to in paragraph 1 of this Article it is determined that there is a violation of the rules on the approval of transactions in which there is a personal interest of a person referred to in Article 61, paragraph 1, item 4) of this Act, the competent court shall also impose a measure of temporary restriction on the exercise of the right to perform the office of a director, member of the supervisory board, representative or procurator for a period of 12 months.

The court decision referred to in paragraph 2 of this Article shall be submitted by the competent court, upon finality, to the Agency for Business Registers for registration in the Central Record of

Provisional Restrictions of the Rights of Persons Registered with the Business Registers Agency.

In case referred to in paragraph 1 of this Article, apart from the persons from Article 61 of this Act, the following persons have unlimited joint and several liability for the damages incurred to the company:

1) His affiliated person, if such person was a party in that transaction, or if a legal action was taken towards him;

2) Third party from Article 65, paragraph 3, item 3) and 4) of this Act, if that person knew or had to have known about the existence of the personal interest at the time of concluding into the legal transaction, or taking a legal action.

Notwithstanding paragraph 1 of this Article, in case referred to in Article 65, paragraph 3, items 3) and 4) hereof, a legal transaction, i.e. legal action shall not be annulled if the third person referred to in Article 65, paragraph 3, items 3) and 4) hereof was not aware, nor had to be aware of the existence of a personal interest at the time of conclusion of the legal transaction, i.e. taking of a legal action.

Exception from the Existence of Breach of Rule on Approving Transactions Involving Personal Interest

Article 68

It shall not be considered that there was a breach of the rule on approving transactions involving a personal interest if the proceeding pursuant to the complaint from Article 67 hereof proves:

1) That the legal transaction, or legal action was in the interest of the company; or

2) That there was no personal interest in the case referred to in Article 65, paragraph 3 items 3) and 4) of this Act.

8.3 Duty to Avoid Conflict of Interest

Definition

Article 69

Persons referred to in Article 61 of this Act shall not do the following, in their personal interest or in the interest of their affiliated persons:

1) Use the company's property;

2) Use information they had access to in that capacity, which were otherwise not publicly available;

3) Abuse their position in the company;

4) Use possibilities for concluding transactions available to the company.

The duty to avoid the conflict of interest exists regardless of whether the company was able to use the assets, information, or conclude transactions referred to in paragraph 1 above.

Exception from Breach of the Duty to Avoid Conflict of Interest

Article 70

As an exception from Article 69 hereof, person from Article 61 of this Act may act contrary to the provisions of Article 69 paragraph 1 items 1), 2) and 4) if it has acquired a preliminary or subsequent approval pursuant to Article 66 hereof.

Action Due to Breach of the Duty to Avoid Conflict of Interest

Article 71

A company may file an action against a person from Article 61 hereof who breaches the duty to avoid conflict of interest referred to in Article 69 hereof, as well as against its affiliated person, requesting:

1) Damages;

2) Transfer to the company of the gain effected due to such breach of duty by that person or its affiliated person.

8.4 Duty to Keep Business Secret

Notion

Article 72

Persons from Article 61 hereof, as well as persons employed in the company, shall keep the company's business secret.

The persons referred to in Paragraph 1 of this Article shall keep the business secret even after they cease to have that capacity, in the period of two years of the day of termination of that capacity. Memorandum of association, articles of association, the company's resolution or a contract concluded with such persons may provide for that period to be longer, but not exceeding five years.

A business secret is information the disclosure of which to a third party may damage the company, as well as information that has, or may have, economic value because it is not generally known or easily available to third parties who could acquire economic benefit through its use or disclosure, and with regard to which the company took appropriate measures to keep its secrecy.

A business secret is also information determined by law, another regulation or company document as a business secret.

A company document from paragraph 4 above:

1) May determine as a business secret only a piece of information which meets the conditions set out in paragraph 3 above; and

2) May not determine as a business secret all information which refer to the company's operation.

Information from paragraph 3 above may be of a productive, technical, technological, financial or commercial nature, a study, a research finding, as well as a document, formula, drawing, facility, method, procedure, notice or internal instruction, and the like.

Exceptions from Duty to Keep Business Secret

Article 73

Disclosure of information from Article 72 hereof is not considered a breach of duty to keep a business secret, if such a disclosure:

1) Is an obligation prescribed by law;

2) Is necessary for carrying out business or protecting the company's interest;

3) Was delivered to the competent authorities or public, exclusively with the purpose of pointing to the existence of an act punishable by law.

Consequences of Breach of Duty to Keep Business Secret

Article 74

A company may file an action against a person who violates the duty to keep the business secret, demanding:

1) Compensation of damages;

2) Expulsion of that person as a company member, if that person is the member of the company.

3) (Deleted)

The filing of action from paragraph 1 hereof does not exclude or condition the possibility of termination of employment in accordance with the act governing employment relations.

A company shall provide full protection to a person who acted diligently and in good faith pointed to the competent bodies to the existence of information from Article 73, paragraph 1, item 3) of this Act.

8.5 Duty to Abide by Ban on Competition

Notion

Article 75

The person from Article 61 paragraph 1, items 1) through 4) of this Act may not, without obtaining the approval pursuant to Article 66 hereof:

1) Have the capacity of a person referred to in Article 61 paragraph 1 items 1) through 4) of this Act in another company which has the same or similar scope of business activity (hereinafter referred to as: the competing company);

2) Be a sole trader who has the same or similar scope of business activity;

3) Be employed in a competing company;

4) Be otherwise engaged in a competing company;

5) Be a member or founder in another legal person that has the same or similar scope of business activity.

Memorandum of association, or articles of association:

1) May extend the ban from paragraph 1 above to other persons, but may not intrude upon these persons' acquired rights;

2) May determine that the ban from paragraph 1 of this Article is valid even after the termination of the capacity referred to in Article 61 paragraph 1 items 1) through 4) hereof, but for no longer than two years; and

3) May designate tasks, manner or place of their performance that do not constitute a breach of the duty to abide by the ban on competition.

The ban from paragraph 1 above does not relate to a company's sole member.

Action due to Breach of Rule on Ban on Competition

Article 76

A company may file an action against person from Article 61, paragraph 1, items 1 through 4 hereof who breaches the rule on ban of competition referred to in Article 75 hereof, demanding:

1) Compensation of damages;

2) Transfer to the company of the benefit that such person acquired as a consequence of such

breach;

3) Expulsion of that person as a company member, if that person is a company member.

4) (Deleted)

5) (Deleted)

8.6. Rules for Filing Actions due to Breach of Special Duties

Term for Filing Actions

Article 77

The action from Articles 64, 67, 71, 74 and 76 hereof may be filed within a term of six months of the day the committed breach was found out, and no later than within a term of five years as of the day of the committed breach.

Action of the Member of the Company due to Breach of Special Duties (Individual Action)

Article 78

A company member may file an action against the person referred to in Article 61 of this Act for compensation of damages this person had incurred to him through breach of special duties towards the company.

If in the procedure under the action referred to in paragraph 1 of this Article it is determined that there is a violation of the rules on the approval of transactions in which there is a personal interest of a person referred to in Article 61, paragraph 1, item 4) of this Act, the competent court shall also impose a measure of temporary restriction on the exercise of the right to perform the office of a director, member of the supervisory board, representative or procurator for a period of 12 months.

The court decision referred to in paragraph 2 of this Article shall be submitted by the competent court, upon finality, to the Agency for Business Registers for registration in the Central Record of Provisional Restrictions of the Rights of Persons Registered with the Business Registers Agency.

Derivative action

Article 79

One or more company members may file an action referred to in Articles 64, 67, 71, 74 and 76 of this Act, in their name, and on behalf of the company (hereinafter referred to as: derivative action), if, at the moment of filing the action:

1) They own shares or stocks which represent at least 5% of the company's share capital, regardless of whether the grounds for taking derivative action occurred before or after acquiring the company member status; and

2) If, before filing derivative action, they requested in writing from the company to file an action on these grounds, and that request was rejected, i.e. this request was not acted upon within a term of 30 days of the day of submitting the request.

A company member who acquired a share or stocks in the company from a person who filed a derivative action, may, with that person's consent, replace him in the dispute following that action until it is finally resolved, as well as in the proceeding following an extraordinary legal remedy.

Intervening in the Lawsuit by a Company Member

Article 80

If a company has filed the action from Articles 64, 67, 71, 74 and 76 hereof, a shareholder who requested from the company to file that action, may request from the court before which the proceeding is being conducted to intervene in the proceedings on the part of the plaintiff.

If a company member filed the action from Articles 64, 67, 71, 74 and 76 hereof, in accordance with Article 79, paragraph 1 of this Act, another member of the company who meets the conditions from Article 79 paragraph 1 item 1 may request from the court before which the proceeding is being conducted to intervene in the proceedings on the part of the plaintiff.

9. Company Members' Right to Information

Right to Information and Access to Bylaws and Documents

Article 81

A company member is entitled to access the company bylaws and documents pursuant to the provisions of this Act.

A member of the company may request in writing to access the company bylaws or documents, where such request shall indicate:

1) His personal data and data identifying him as a company member;

2) Documents, bylaws and data access to which is requested;

3) Purpose to which access is requested;

4) Data on the third parties to whom the company member requesting access intends to disclose that document, bylaw or data, if such intent exists.

A company is entitled, for justified reasons, to withhold access to all or some of the requested bylaws or documents for reasons prescribed by this Act for each individual company form.

If the company fails to act in line with the request from paragraph 2 above within a term of eight days of the day of receipt thereof, the member is entitled to request, within the following term of 30 days, that the competent court, in non-contentious proceedings, instructs the company to allow him access to these bylaws or documents.

Proceeding from paragraph 4 of this Article is urgent, and the court shall pass a decision on the motion within a term of eight days from the day of its receipt.

Use of the Company's Bylaws or Documents

Article 82

A company member who gains access to the company's bylaws or documents in keeping with Article 81 hereof shall use them exclusively for the purposes stated in the request referred to in Article 81 paragraph 2, item 3) hereof.

A company member may not publish or disclose the bylaws or documents from paragraph 1 above to third parties contrary to the purpose for which access was granted to him, nor in a manner that incurs damage to the company, unless bound to do so by the law.

If a company member under paragraph 1 of this Article uses the company bylaws or documents he gained access to, contrary to that purpose, or if he discloses them to third parties contrary to restrictions from paragraph 2 above, he is liable for damage thus incurred to the company.

Publication or disclosure to third parties of bylaws or documents from paragraph 1 above is not considered to be a breach of the provision of paragraph 2 of this Article if such disclosure is a

statutory obligation.

Part two
SOLE TRADER

Concept of a Sole Trader

Article 83

A sole trader is a legally capable natural person who conducts an activity in order to gain profit and who has been registered as such pursuant to the registration act.

A natural person registered in a special register who engages in an activity of a free profession, governed by a special regulation, is considered to be a sole trader in terms of this Act, if so provided in that regulation.

Individual farmer is not a sole trader in terms of this Act, unless otherwise provided by a separate statute.

Registration Period of a Sole Trader

Article 84

A sole trader is registered for an unlimited or a limited period of time.

Assets and Liability for Obligations

Article 85

A sole trader is liable for all his obligations arising from performing his activity with all of his personal assets, including the assets acquired with regard to the performance of activity.

Liability for obligations from paragraph 1 above does not cease by deletion of the sole trader from the register.

Sole Trader's Business Name

Article 86

A sole trader does business and takes part in legal traffic under the business name which is registered in accordance with the registration act.

Business name of a sole trader must contain the name and surname of the sole trader, the designation "sole trader" or "ST" and the location of the sole trader’s seat.

The business name from paragraph 2 hereof may also include the brand and the designation of the sole trader's business operation subject- matter.

If the business name of the sole trader contains the brand, then such business name must contain the designation of the business operation’s subject- matter.

In the case referred to in paragraph 4 of this Article, the name of the sole trader must be different from the name of another sole trader who has the same subject of business, so as not to cause confusion about identity with another sole trader.

Provisions of Arts. 23 through 27 and Arts. 29 and 30 of this Act apply mutatis mutandis to the sole trader's business name.

Sole trader's Seat and Separate Place for Conducting Activity

Article 87

Sole trader's seat is the location in the territory of the Republic of Serbia wherefrom the sole trader conducts business.

The sole trader may conduct business in a separated place of business which may also be located outside of the sole trader’s seat, pursuant to law.

The separated place of business, the business activity in the separated place of business, modifications of data, as well as termination and erasure of the separated place of business are registered pursuant to the registration act.

Sole trader may also conduct business outside of the determined premises (upon request of a client, from one place to another, etc.) when such performing of the business activity is only possible or common due to the nature of such activity.

Sole trader is obliged to display his business name in his seat, as well as in every separated place of business, except in the case from paragraph 4 above.

The place in which the activity is performed must meet the conditions prescribed by regulations for the performance of such activity.

The address of sole trader's seat is registered in accordance with the registration act.

The provision of Arts. 20 and 21 of this Act apply mutatis mutandis to the serving, postal address and electronic mail address.

Sole Trader's Activity

Article 88

Article 4 of this Act on a company's activity applies mutatis mutandis to sole trader's activity.

A sole trader may perform all activities not prohibited by law for which he meets the prescribed conditions, including old and artistic crafts, and handicraft activities.

Sole trader may register himself while also registering the start of conducting business subsequently.

The minister competent for economy designates in more detail the jobs considered old and artistic crafts and handicrafts in terms of this Act, the manner in which they are certified and the keeping of special records of certificates issued.

Manager and Other Employees

Article 89

A sole trader may entrust management to a legally capable natural person (hereinafter: the manager) by a written authorization.

Management as referred to in paragraph 1 above may be general or limited to one or more separate places of operation.

The manager shall be employed by the sole trader.

Notwithstanding paragraph 3 above, if the sole trader is temporarily absent due to justified reasons (illness, education, appointment to office, etc.) and he has not hired a manager, he may entrust the general management to a member of his family household for the duration of such absence, without the obligation to employ such person.

The manager has the capacity of a representative pursuant to Article 32 of this Act.

If special conditions are stipulated for conducting activity of the sole trader in terms of the sole trader's personal qualifications, the manager must fulfill these conditions.

The manager is registered pursuant to the registration act.

Persons working for the sole trader shall be employed by the sole trader or engaged by him on other grounds in accordance with law.

Notwithstanding paragraph 8 above, a family household member may work for the sole trader without being employed:

1) Occasionally during the day only in the seat, if his presence is necessary given the nature of the sole trader's business activity (so that the shop would not be closed during working hours, to load the goods, to clean the business premises and the like);

2) Temporarily while being trained to perform the activities of old and artistic crafts or handicrafts, if the sole trader conducts such business activity;

3) At the time when the sole trader is on holidays pursuant to law.

Suspension of Performance of Activity

Article 90

A sole trader shall display a notice on the period of suspension of performing activities in the place in which he conducts business activity.

Suspension of conducting activity is registered pursuant to the registration act and may not be established retroactively.

Loss of Sole Trader Capacity and Continuation of Performance of Activity by Heirs

Article 91

A sole trader loses the capacity of a sole trader by deletion from the business entities register.

Deletion of a sole trader is executed due to termination of performance of activity.

Sole trader terminates to perform activity by notice of unregistering or by operation of law.

Sole trader may not unregister on the day which is precedes the day of filing the application on termination of work to the competent registration authority.

Deletion from the register may not be done retroactively.

Sole trader ceases to conduct business by operation of law in the following cases:

1) Death or loss of legal capacity;

2) Expiry of time if the performance of activity was registered for a determined period;

3) If his business account was blocked for over two years incessantly, on the grounds of a motion for deletion of the sole trader from the register, filed by the National Bank of Serbia or the Tax Administration;

4) If nullity of sole trader registration was established by a final judgment;

5) If measure of prohibition to perform activity was pronounced to him by a final judgment, enforceable decision of a competent authority or court of honor of the chamber whose member he is;

6) If the approval, consent or other document of the competent authority, which is prescribed as a condition for registration by a separate statute in accordance with Article 4 paragraph 2 of this Act, ceases to be in force;

7) In other cases prescribed by law.

In case of sole trader’s death or loss of legal capacity, an heir, or a member of his family household, provided that he himself is legally capable (spouse, children, adopted children and parents) may continue conducting the activity pursuant to a decision in inheritance administration or by mutual agreement on the continuation of conducting activity signed by all heirs, i.e. members of the family household.

Person from paras. 7 and 9 above shall report the continuation of conducting the activity to the register pursuant to the registration act within 30 days from the day of the sole trader's death or finality of the decree whereby the loss of business capacity was found.

An heir who has legal capacity may continue to conduct the sole trader's activity also in the sole trader's lifetime if he exercises this right pursuant to the division of estate during lifetime pursuant to regulations regulating inheritance.

If special conditions regarding the personal qualifications of the sole trader are prescribed for the performance of sole trader’s activity, the person referred to in paragraph 7 of this Article must meet these conditions.

Continuing to Perform Activity in the Form of a Company

Article 92

A sole trader may pass a decision on continuing to perform the activity in the form of a company, whereby the provisions of this Act governing the establishment of the given form of a company apply mutatis mutandis.

Based on the decision from paragraph 1 above the deletion of the sole trader from the register of business entities is concurrently executed with the registration of establishment of the company from paragraph 1 above. That company undertakes all sole traders’ rights and obligations resulting from the operation until the moment that company was established.

Following the loss of sole trading capacity in accordance with paragraph 2 hereof that natural person remains liable with all his assets for all obligations resulting from the performance of activity until the moment of deletion of the sole trader from the register.

Part three
LEGAL FORMS OF COMPANIES

Chapter I
GENERAL PARTNERSHIP

1. Concept and Incorporation

Concept and Liability for Obligations

Article 93

A general partnership is a company of two or more partners who have unlimited joint and several liability with all their assets for the company's liabilities.

If the partnership agreement or another contract between partners includes a provision on limiting the liability of partners towards third parties, such a provision has no legal effect.

Partnership Agreement

Article 94

A partnership agreement includes in particular the following:

1) Data on general partners from Article 9a, as well as the data on the domicile of general partners;

2) Company's business name and seat;

3) Company's predominant activity;

4) Indication of the type and value of contribution, as well as the data on the contribution of each general partner.

A partnership agreement may also include other elements that are relevant to the company and partners.

Amendments to the partnership agreement are made by a unanimous decision of all the partners in the company unless the partnership agreement provides otherwise.

Partners' Agreement

Article 95

Notwithstanding Article 15 hereof, a partners' agreement is concluded by all partners in the company.

2. Contributions to the Company, Partner Shares and Share Transfer

Contribution and share

Article 96

Partners enter into the company contributions of equal value, unless the partnership agreement provides otherwise.

Notwithstanding Article 45 paragraph 3 hereof, the partner's in kind contribution may also consist of work and services.

Partners acquire shares in the company that are proportional to their contributions into the company, unless otherwise provided by the partnership agreement.

A partner is not be under the obligation to increase the contribution above the amount set in the partnership agreement, unless otherwise provided by the partnership agreement

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

Share Transfer

Article 97

A share is transferred by means of a written agreement concluded between the transferor and the transferee, as well as in other manner provided by law.

Signatures on the agreement from paragraph 1 of this Article are certified in accordance with the law governing signature certification.

The transferee acquires the share as of the day of registration of the share transfer pursuant to the registration act.

Transfer of Shares among Partners

Article 98

Transfer of shares among partners is free, unless the partnership agreement provides otherwise.

Transfer of Shares to Third Parties

Article 99

Unless otherwise provided by the partnership agreement, a partner may not do the following without the consent of other partners:

1) Transfer his share to a third party, which includes entering that share as an in kind contribution into another company;

2) Give his share as a pledge to a third party.

If the partners do not grant their consent to the transfer of share to a third party, the partner to whom the consent for transfer of shares was withheld may withdraw from the company pursuant to Article 121 of this Act.

Liability in Share Transfer

Article 100

The share transferor and the share transferee have unlimited joint and several liability for all

obligations of the share transferor which arise from the share or are related to the share, towards the company on the day of registration of the share transfer pursuant to the registration act, unless all general partners agree otherwise.

The statute of limitations on the company's request from paragraph 1 above expires within a term of three years from the day of registration of the share transfer pursuant to the registration act.

3. Management

General rule

Article 101

Each partner has the authorization to conduct actions in the company's ordinary activities (management).

Actions that fall outside the company's ordinary activities are not included in the authorization from paragraph 1 above and may be conducted only with the consent of all partners, unless the partnership agreement provides otherwise.

Notwithstanding paragraph 1 above, if the partnership agreement or the partners' agreement provides that one or more partners are authorized to manage, other partners do not have the authorization to manage.

Management by Multiple Partners

Article 102

If multiple partners have the authorization to manage, each partner is authorized to act independently, but the other partner who is authorized to manage may object to the conducting of a certain action, in which case that action may not be taken.

If the partnership agreement provides that partners authorized to manage act jointly:

1) Taking of any action requires consent of all partners authorized to manage, unless failure to take an action due to a partner being unavailable could incur damage to the company;

2) Each partner shall act in accordance with the instructions of each of the other partners authorized to manage.

In case from paragraph 2, item 2) above, if a partner considers that instructions of another partner are inappropriate, he notifies thereof all partners authorized to manage thereof in order to make a joint decision, unless the delay of action would cause damage to the company, in which case he may act independently, of which he shall promptly notify all other partners authorized to manage.

Transfer of Management Authorization

Article 103

A partner authorized to manage may transfer his authorization to manage to a third party or another partner, if all the company's partners agree on that.

The partner who transfers authority to manage to a third party is liable for actions of that person during management as if he took such actions himself.

Cancelling Management Authorization

Article 104

A partner authorized to manage may cancel the management authorization if there is a justified

reason for that.

In case from paragraph 1 above, the partner timely and in writing informs all other partners in the company on the intention to cancel the authorization to manage, in order to enable other partners to take or organize taking of actions from the company's regular activities.

If a partner cancels the authorization to manage contrary to paragraphs 1 and 2 above, he shall compensate damage caused to the company thereby.

Revocation of Partner’s Management Authorization

Article 105

Partners' authorization to manage may be revoked by a decision of the competent court upon a complaint by the company or each of the partners if it is established that there are justified grounds to do so, including the following in particular:

1) Incapability of the partner to duly conduct the company's affairs;

2) Serious breach of duty towards the company.

4. Partner's Rights

Right to Reimburse Expenses

Article 106

A partner is entitled to reimbursement of all expenses he had in relation to the operation of the general partnership, which were necessary under the circumstances.

Distribution of Profit

Article 107

The company's profit is distributed in equal shares among partners, unless the partnership agreement provides otherwise.

Right to Information

Article 108

A partner authorized to manage shall:

1) Notify all other partners on the company's business operations;

2) Provide information on the company's business operations at the request of another company partner; and

3) Give financial reports and other documentation to all partners for insight.

A partner is entitled to get personally informed on the company's status and business operations, as well as to access and copy, at his own expense, the ledgers and other company documentation.

Provisions of this Act governing exercise of right to information by a limited liability company member apply mutatis mutandis to the exercise of rights of partners, via court, to access and copy the ledgers and other company documentation.

Exception from Rule Banning Competition

Article 109

No breach of the rule on banning competition referred to in paragraph 75 of this Act exists, if the remaining partners were aware, at the time a partner entered the company, that such partner has had the capacity of a member in a competing company or other legal relation with the competing company, and his joining the company was not conditioned by cessation of the member capacity in the competing company, i.e. termination of other legal relationship with a competing company.

Partners' Decision-Making

Article 110

Partners make their decisions unanimously, unless the partnership agreement provides otherwise.

If the partnership agreement provides that certain or all decisions are made by a majority of votes, each partner has one vote, unless the partnership agreement provides otherwise.

Making the decision on issues that are outside the ordinary activities of the company, as well as the decisions on accepting a new partner into the company, requires the consent of all partners.

5. Legal Relationship of the Company and Partners with Third Parties

Representing the Company

Article 111

Each partner is authorized to individually represent of the company, unless the partnership agreement provides otherwise.

Expression of third parties' will made to any of the general partners authorized to jointly represent the company shall be considered made to the company.

Cancellation of Authorization to Represent

Article 112

A partner may cancel the authorization to represent the company if there is a justified reason for it.

In case from paragraph 1 above, the partner duly informs in writing all other partners in the company on his intention to cancel the authorization to represent, in order to enable other partners to take over the task of representing the company.

If a partner cancels the authorization to represent in contravention of para. 1 and 2 above, he shall compensate thus caused damage.

Revocation of the Authorization to Represent

Article 113

Authorization to represent may be revoked by a decision of the competent court following a complaint from the company or any of the partners if it is established that there are justified reasons for it, which particularly include:

1) Incapability of the partner to represent the company;

2) Serious breach of duty towards the company.

Representing the Company in a Dispute with a Partner Authorized to Represent

Article 114

A partner who is authorized to represent the company may not issue a representation power of attorney, or represent the company in a dispute in which he is the counterparty. In case the company does not have another partner authorized to represent, then such power of attorney is issued jointly by all other partners.

Objections and Offset

Article 115

If a company creditor demands from a partner to fulfill the company's obligations:

1) A partner may put forward personal objections as well as objections that can be put forward by the company itself;

2) A partner may reject the fulfillment of an obligation if a creditor may settle its claim by means of a set off with the company.

Liability of a New Partner

Article 116

A person, who, after incorporation, acquires the capacity of a partner, is liable for obligations of the company as the existing partners, including obligations which came about before his joining the company.

Provisions of the partnership agreement contrary to paragraph 1 of this Article do not have legal effect towards third parties.

6. Dissolution of General Partnership and Termination of Partner Capacity

Article 117

A general partnership is dissolved by deletion from the register of business entities in case of:

1) Finalization of company’s liquidation;

2) Finalization of a company's bankruptcy;

3) Status changes.

The capacity of a partner in a general partnership ceases in case of:

1) Death of a partner;

2) Deletion of a partner who is a legal person from the competent register;

3) Withdrawal of partners;

4) Expulsion of partners;

5) In other cases stipulated in the partnership agreement.

Court Decision on the Liquidation of the Company

Article 118

Pursuant to an action filed by a general partner, a competent court passes a decision ordering a company to be wound up when a justified reason for that exists.

Justified reason in terms of paragraph 1 of this Article exists if general partners cannot carry out company business due to mutual disagreements or if due to other reasons it is not possible that the company continues conducting business in compliance with this Act, i.e. with the incorporation agreement.

An agreement excluding or restricting the right of general partners to file the action from paragraph 1 of this Article is null and void.

Action from paragraph 1 above is filed against the company.

Continuing the Company with Heirs

Article 119

In case of death of the partner, the partner's share is not inherited, but distributed proportionately to the remaining partners, unless the partnership agreement provides that the company continues its business operation with the deceased partners' heirs.

If the partnership agreement provides that the company continues operation with the deceased partner's heirs, but the heirs do not agree with that, the partner's share is distributed proportionately to the remaining partners.

If the incorporation agreement stipulates that the company continues to carry out business with the deceased general partner’s heirs, the heirs may within 30 days from the day of finality of probate proceedings demand from the company to step into the place of the deceased general partner.

General partner’s heirs who do not step into the place of the deceased general partner, as stipulated in paras. 1, 2 and 3 of this Article are entitled to payment of compensation for the share in proportion to their share in inheritance, in accordance with the provisions of Article 122 of this Act.

If the partnership agreement provides that the company continues operation with the deceased person's heirs, the heirs may agree to that by stepping into the place of the deceased partner or by requesting that the partnership changes legal form into a limited partnership, and that they gain the status of a limited partner.

If the heirs request that the partnership changes legal form into a limited partnership, pursuant to paragraph 5 of this Article, and the remaining partners refuse that, the heirs step into the place of the deceased partner and may withdraw from the company pursuant to provisions of this Act on withdrawal of partners.

If the heirs withdraw from the company pursuant to paragraph 6 of this Article, they are liable for the company's obligations generated up to then, under regulations governing liability of heirs for the decedent's debts.

The partnership agreement may stipulate the amount of share in the profit for limited partners, in case of continuing the company with heirs and change of the legal form of the company into a limited partnership, which may be different from the amount of share in the profit which the decedent had as a partner.

Expulsion of Partner

Article 120

Provisions of this Act on the expulsion of a limited liability company member apply mutatis mutandis to the expulsion of a partner.

Withdrawal of Partner

Article 121

A partner may withdraw from the company by submitting a written notice on withdrawal to other partners.

A written notice from paragraph 1 above is submitted at least six months before the expiry of a business year, unless the partnership agreement provides otherwise.

A partner who submits a written notice on withdrawal pursuant to paragraph 2 of this Article withdraws from the company at the expiry of the business year in which the notice was submitted (withdrawal day).

The partner's right to withdraw may not be restricted or denied.

Consequences of Partner's Withdrawal from the Company

Article 122

The share of the partner who withdraws from the company is distributed proportionally to remaining partners, unless the partnership agreement provides otherwise.

The company shall, within a term of six months of the day of withdrawal, unless a different term is provided in the partnership agreement, pay the partner which withdraws from the company in cash the amount such a partner would receive in case of a company liquidation on the day of withdrawal, excluding the current and uncompleted operations.

If the value of the company's property on the day of withdrawal is insufficient to settle the company's liabilities, the partner withdrawing from the company shall pay to the company a part of the unsettled amount, in proportion to his share in the company, within a term of six months, unless another term is stipulated in the partnership agreement.

Joint and several liability of the partner which withdraws from the company for the liabilities of the company generated up to the day of withdrawal ceases upon expiry of a period of five years of the day of withdrawal, unless a longer period is determined in the partnership agreement.

Participation in Unfinished Transactions of a Partner which Withdrew from the Company

Article 123

A partner who withdraws from the company takes part in the profit and loss from transactions that were not yet completed at the time of his withdrawal, unless the partnership agreement provides otherwise.

A partner who withdrew from the company may, at the end of each business year, request the drafting of an account of transactions completed in that year, payment of what belongs to him from that and submission of a report on the situation regarding transactions that have not yet been completed.

Protection of Partner's Creditors

Article 124

A creditor who has a due claim towards a partner pursuant to an enforceable legal instrument in accordance with the law that governs enforcement and security interest, is entitled to file a written request to the company for payment in cash of the amount such partner would receive in case of the company's liquidation, but only up to the amount of his claim.

The company shall promptly inform the partner on the reception of request from paragraph 1 of this

Article.

On the day the company pays off the creditor pursuant to paragraph 1 above, the partner loses the capacity of a partner, while his share is divided among other partners in equal shares.

A partner who has lost such capacity pursuant to paragraph 3 of this Article, retains the right to payment in cash of what he would receive in case of the company liquidation, reduced by the amount paid to the partner's creditor.

In case that, within a term of six months of the day of submission of the request under paragraph 1 of this Article, the company fails to execute payment to the partner's creditor, the partner's creditor may request settlement of his receivable against the company's property up to the value which the general partner would receive in the event of liquidation of the company, pursuant to the law that governs enforcement and security interest.

Chapter II
LIMITED PARTNERSHIP

1. Definition, Incorporation and Data Records Regarding Company Members

Concept and Liability

Article 125

A limited partnership is a company of at least two members, at least one of whom has unlimited joint and several liability for the liabilities of the company (general partner), and at least one of whom has limited liability up to the amount of his unpaid, or not entered contribution (limited partner).

Application of the Provisions on General Partnership

Article 126

Regulations governing general partnership apply to limited partnership, unless otherwise provided in this Act.

General partners have the status of partners in a general partnership, pursuant to this Act.

Incorporation Agreement

Article 127

In addition to elements from Article 94 of this Act, a limited partnership incorporation agreement shall also include the indication as to which member of the company is a general partner and which is a limited partner.

Record on Data about Members of the Company

Article 128

A limited partnership shall keep record of data regarding company members, in accordance with

Article 144 of this Act.

2. Contribution, Share and Profit and Loss

Contribution, Share and Share Transfer

Article 129

Provisions of Article 96 of this Act on partners' contributions and shares apply mutatis mutandis to the contributions and shares of the general partners in the company.

Provisions on the transfer of shares from Articles 97 through 100 of this Act apply mutatis mutandis to the transfer of the general partners' share.

A limited partner is free to transfer his share or part of his share to another limited partner or a third party.

Profit and Loss

Article 130

General partners and limited partners participate in the division of profit and in covering company’s losses proportionately to their shares in the company, unless the memorandum of association provides otherwise.

3. Managing Operations, Company Representation and Rights of Limited Partners

Article 131

General partners manage the company's operations and represent it.

Limited partners may not manage operations or represent the company.

Notwithstanding paragraphs 1 and 2 above, a limited partner may object only to taking actions or entering into transactions by a general partner that are outside the company's ordinary activities, in which case the general partner may not take that action or enter into that transaction.

A limited partner may be granted a procuration following a resolution of all general partners.

Limited Partner's Supervisory Right

Article 132

A limited partner is entitled to request copies of the company's annual financial reports for the purpose of checking their correctness, as well as to be allowed access to the company's ledgers and documents with the same purpose.

If a limited partner is not enabled to exercise rights from paragraph 1 above within a term of eight days of the day when he submitted an appropriate request, a limited partner may request that a court, in non-contentious proceedings, instructs the company to act as per his request.

The proceeding referred to in paragraph 2 of this Article is urgent, and the court shall render a decision thereon within a term of eight days from the day of the receipt of request.

A limited partner does not have the right to information as referred to in Article108 of this Act.

A limited partner may also have other rights regarding access to company documents if so provided in the incorporation agreement.

Payment of Profit to the Limited Partner

Article 133

A share in the profit is paid to the limited partner proportionately to the amount of his contribution, unless the incorporation agreement provides otherwise, within the term provided in the incorporation agreement, i.e. following the general partners' resolution, if that term is not specified in the incorporation agreement.

If, pursuant to paragraph 1 above, general partners decide on the term for payment of profit, this term may not be longer than 90 days counting from the day of adoption of the company's annual financial reports.

4. Limited Partner's Liability

Limited Partner's Liability

Article 134

A limited partner is not liable for the company's liabilities if he fully paid in the contribution undertaken in the incorporation agreement.

If a limited partner fails to fully pay up the contribution he undertook to pay by the incorporation agreement, he is liable jointly and severally, together with general partners, to company creditors up to the amount of unpaid or not entered contribution.

With regard to the amount of the paid or entered contribution into the company, in terms of the paragraph 1 of this Article, the value of such contribution registered in accordance with the registration act shall apply.

The provision of an agreement between general partners, i.e. between a general partner and a limited partner, fully or partially relieving the limited partner of the duty to pay his contribution or this duty is delayed, has no effect towards the company's creditors.

Cases when Limited Partner is Liable as a General Partner

Article 135

A limited partner is liable as a general partner to third parties if his name, with his approval, was entered into the limited partnership's business name.

Liability of a New Limited Partner

Article 136

A person who joins the company as a limited partner is liable in line with provisions of Article 135 of this Act and for obligations which occurred up to the moment of his joining the company.

5. Cessation of Company Member Capacity and Dissolution of the Company

Cessation of General and Limited Partner Capacity and Change of Legal Form

Article 137

A limited partnership does not cease as a consequence of death of a limited partner, i.e. in case of

dissolution of a limited partner who is a legal person.

In case referred to in paragraph 1 of this Article, limited partner's heirs, i.e. legal successors in case of a legal person, step into his place.

If all general partners withdraw from the limited partnership, and at least one new general partner is not admitted within three months from the day of withdrawal of the last general partner, limited partners may within that time limit pass a unanimous decision to change the legal form, pursuant to this Act.

In case of death of the sole general partner the company continues to conduct business with heirs of the deceased general partner, if the heirs file a motion to modify the data about general partners in the register within three months from the day the probate proceedings ended with a final decision.

The heirs of the general partner who do take his place in case under paragraph 4 of this Article are entitled to payment of compensation for the share, in proportion to their share in inheritance, in accordance with the provisions of Article 122 of the present Act.

If all limited partners withdraw from the limited partnership and at least one new limited partner is not admitted within three months from the day of withdrawal of the last limited partner, the general partners may within that time limit pass a unanimous decision on change of the legal form, in accordance with this Act.

Changes made in line with paras. 3, 4 and 6 of this Article are registered in line with the registration act.

Dissolution of a Limited Partnership

Article 138

Provisions of this Act on the dissolution of a general partnership apply mutatis mutandis to the dissolution of a limited partnership.

Chapter III
LIMITED LIABILITY COMPANY

1. Concept, Liability and Freedom of Contracting

Definition and Liability

Article 139

A limited liability company is a company in which one or more company members own shares in the company's share capital, provided that company members are not liable for the company's obligations except in cases provided in Article 18 of this Act.

Principle of Freedom of Contracting

Article 140

Members of a limited liability company freely regulate their mutual relations in the company, as well as relations with the company, unless provided otherwise by this Act.

1.1 Contents and Amendments to the Memorandum of Association

Contents of the Memorandum of Association

Article 141

A company's memorandum of association contains in particular the following:

1) Data on the member of the company from paragraph 9a of this Act, as well as the data on domicile of the company member;

2) Company's business name and seat;

3) Company's predominant business activity;

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

5) Amount of the pecuniary contribution, i.e. pecuniary value and description of the in kind contribution of each company member;

6) Time of paying, or entering the contribution into the company's share capital;

7) Each member's share in the total share capital expressed in percents;

8) Determination of company bodies and their competences.

If the memorandum of association does not contain provisions on competences of the company's bodies, the company's bodies have competences provided by this Act.

Amendments to the Memorandum of Association

Article 142

Memorandum of association of a limited liability company is amended by a simple majority of votes of all members of the company, unless the memorandum of association provides a higher qualified majority.

A decision on the amendments to the memorandum of association that reduces the rights of a company member may be adopted only with the consent of that member, in particular in the case of:

1) Abolishing or restricting the pre-emptive right to subscribe or purchase shares;

2) Change of majority required for decision-making in the general meeting;

3) Introduction or increase of the obligation of additional payments;

4) Amendments to the rule on withdrawal and cancellation of share;

5) Amendments to the rule on expulsion of a company member;

6) Amendments to the rule on the appointment of director, as well as members of the supervisory board if there is a two-tier management system in the company, that change the rights of a company member to nominate a certain number of such persons.

1.2. Acquiring the Capacity of Company Member and Records of Data on Company Members

Acquisition and Termination of the Company Member Capacity

Article 143

Company member capacity is acquired on the day of registration of share ownership pursuant to the registration act.

The company shareholder capacity terminates on the day of registration of cessation of company member capacity pursuant to the registration act.

Records of Data on Company Members and Service on Company Members

Article 144

The company shall keep record of the address that each of the members, each of the co-owners of share and joint attorney-in-fact of the co-owners of share designates as his mailing address for mail received from the company and of which the company is notified, provided that such persons may indicate an e-mail address as their mailing address (data records regarding company members).

Director is liable to the company and to the person from paragraph 1 of this Article for accurate and due entry into company members' data records, and issues a certificate on the performed entry or status of that record at that person's request.

Person from paragraph 1 of this Article shall notify the company of his mailing address and the change of such address, without delay, at the latest within a term of eight days from the day the change occurred.

Serving on persons from paragraph 1 of this Article is made to the address from the list of data on company members, and the serving is deemed made on the day of sending of registered mail to that address, i.e. on the day of sending of electronic mail.

2. Share Capital

Minimum Share Capital

Article 145

Company's share capital amounts to at least RSD 100, unless a special law provides a higher amount of the share capital for companies dealing in certain business activities.

Share Capital Increase

Article 146

The share capital is increased by:

1) New contributions of existing company members or a member joining the company;

2) Converting the company reserves or profit into the share capital;

3) Converting (conversion) of claims towards the company into the share capital;

4) Status changes that result in increase of the share capital;

5) Converting (conversion) additional payments into share capital.

The share capital is increased pursuant to the resolution of the company's general meeting.

The resolution of the general meeting on the increase in the share capital can be passed even before the full payment, i.e. the entry of the contributions of the existing members of the company, provided that the member who joins simultaneously with the accession fully pays, i.e. enters his contribution.

Company members have a pre-emptive right of subscribing share when the share capital is increased by means of new contributions, in proportion to their shares, unless the memorandum of association provides otherwise.

The provisions of this Act on the increase in the share capital of a joint stock company also apply mutatis mutandis to the increase in the share capital of a limited liability company, except in the

case referred to in paragraph 3 of this Article.

Share Capital Reduction

Article 147

A company's share capital may be reduced, but not below the minimum share capital defined under Article 145 of this Act:

1) To cover losses of the company;

2) To create or increase the company's reserves to cover future losses or to increase the share capital from the company's net assets;

3) In the cases referred to in Article 46, paragraph 3, and Arts. 155 and 159 of this Act.

A resolution on the reduction of share capital is adopted by the general meeting by a majority of two thirds of the total number of votes of all members of the company, unless the memorandum of association stipulates a different majority which may not be smaller than the simple majority of the total number of votes of the members of the company entitled to vote on a certain issue.

The resolution referred to in paragraph 2 of this Article is registered in accordance with the registration act no later than three months from the day of adoption.

The resolution referred to in paragraph 2 of this Article that is not registered in accordance with paragraph 3 of this Article is null and void.

The resolution referred to in paragraph 2 of this Article must contain a call to the creditors to report their claims in order to secure these claims, if the decrease in the share capital is made with the application of the provisions of Article 147a of this Act on the protection of creditors.

Protection of Creditors

Article 147a

The resolution on reducing the company's share capital is published in the register for a continuous period of three months starting from the day of registration in accordance with Article 147 of this Act.

The company is also obliged send a written notice to creditors known to the company whose individual claims amount to at least 2,000,000 dinars in the equivalent value of any currency at the middle exchange rate of the National Bank of Serbia on the day of registration of the resolution on reduction of the share capital in accordance with Article 147, paragraph 3 of this Act, no later than 30 days after the registration of that resolution.

Creditors whose claims, irrespective of the maturity date, were created before the expiration of the time limit of 30 days from the day of publication of the resolution on reduction of the share capital of the company, may in writing request the company to secure these claims until the expiration of the period of publication of the resolution referred to in paragraph 1 of this Article.

Creditors who requested the securing of claims in accordance with paragraph 3 of this Article and who neither receive security of these claims from the company within two months after the expiration of the time limit referred to in paragraph 1 of this Article, nor the company settles those claims, may in the further period of a month file a lawsuit against the company with the competent court for the purpose of creating security interest in relation to their claims, if the settlement of their claims is jeopardized by the reduction in the share capital in question, whereof they are obliged to inform the company in writing within that time period.

When deciding in the lawsuit under paragraph 4 of this Article, the court shall take particular care of whether the demanded security interest is necessary in order to protect the creditors bearing in mind the assets of the company.

Notwithstanding paragraph 3 of this Article, the securing of claims may not be sought by:

1) Creditors whose claims belong to the first or second rank of payment priority in the sense of the

law governing bankruptcy;

2) Creditors whose claim is secured.

In the event of a decrease in the share capital, the company may make payments to members only after the expiration of 30 days from the day of registration of the reduction in the share capital in accordance with the registration act.

Exceptions to the Application of Provisions on Protection of Creditors

Article 147b

The provisions of Article 147a of this Act on the protection of creditors do not apply in the cases when:

1) Own shares which the company has acquired without compensation and for which the contributions were fully paid, i.e. entered, are cancelled;

2) The share of a member who fully paid in i.e. entered his contribution, is withdrawn and annulled by payment from the reserves funds that can be used for such purposes, whereby the company is obliged to comply with the provisions of Article 275 of this Act on payment restrictions;

3) The losses of the company are covered;

4) Reserves for covering future losses of the company or for increasing the share capital from the net assets of the company are created or increased.

The decrease in the company's share capital in the case referred to in paragraph 1, item 3) of this Article may be exercised only if the company, according to the published annual financial report for the year preceding the year in which the resolution is made, does not use the unallocated profits and reserves that can be used for these purposes, in an amount that cannot be higher than the amount of losses that are covered.

The reserves referred to in paragraph 1, item 4) of this Article after the executed capital reduction may not exceed 10% of the share capital.

Registration of Capital Reduction and Effects of Registration

Article 147c

The share capital of a company is considered to be reduced on the day of registration in the register of business entities.

Article 148

(Deleted)

Article 149

(Deleted)

3. Shares

3.1. Basic rules

Legal Nature of Shares

Article 150

A company's shares are not securities.

A company's shares may not be acquired, nor may they be disposed by forwarding a public offer in terms of the law regulating the capital market.

Acquisition of Shares

Article 151

A company member acquires a share in the company proportionately to the value of his contribution into the company's share capital, unless otherwise provided by the memorandum of association upon company incorporation or by a unanimous resolution of the general meeting.

A company shareholder may have only one share in the company.

If a company shareholder acquires more shares, these shares are joined and comprise one share.

Rights Pursuant to Shares

Article 152

A company shareholder has the following rights pursuant to his share:

1) Voting right in the general meeting;

2) Right to a share in the company profit;

3) Right to a share in the liquidation surplus;

4) Other rights provided by this Act.

The rights of a company member from paragraph 1 above are proportionate to this shareholder's share in the company's share capital unless otherwise provided in the memorandum of association.

Co - Ownership of Share

Article 153

A share may belong to multiple numbers of persons (share co-owners).

Share co-owners regulate their mutual relations in relation to co-ownership shares by a separate contract.

Share co-owners exercise their voting rights pursuant to share through one joint attorney-in-fact, of whose identity they shall notify the company.

Share co-owners are considered to be one member with regard to the company and have unlimited joint and several liabilities with regard to all liabilities related to that share.

Legal actions and notices undertaken by the company, or referred to by the company to the joint attorney-in-fact from paragraph 3 above, have effect on all share co-owners.

Until the day of serving the company with notice on appointing a joint attorney-in- fact from paragraph 3 above:

1) Co-owners' share shall not be counted for the purposes of voting and establishing a quorum in the company's general meeting; and

2) Legal actions undertaken by the company towards one co-owner have effect on all co-owners.

Financial Support of the Company for Acquisition of a Share in the Company

Article 154

A company may not, directly or indirectly, provide financial support of any kind to its members, employees or third parties for the purchase of a share in the company, in particular to grant loans, guarantees, sureties and the like.

A legal transaction that is contrary to the provision of paragraph 1 above is null and void.

Withdrawal and Cancellation of Share

Article 155

A company may withdraw and cancel a share of the company member only in cases and in the way expressly provided in the memorandum of association, which was effective on the day when the company member whose share is withdrawn and cancelled had acquired the share.

A company may also withdraw and cancel a member's share when the condition from paragraph 1 above has not been met provided that the amendment to the memorandum of association for which this shareholder voted provides so.

Decision to withdraw and cancel the share of the company member is adopted by the general meeting.

Decision to withdraw and cancel a company member's share contains the following:

1) Grounds for withdrawal and cancellation;

2) Facts from which it follows that conditions for adopting the decision on withdrawing and cancelling a share have been met;

3) Amount and term for payment of the compensation for share to the company member whose share is being withdrawn and cancelled, which may not exceed two years;

4) Effect of cancellation of share on the company's share capital.

On the occasion of withdrawing and cancelling a share, a procedure of company share capital reduction is undertaken, in which it is not necessary to pass a separate resolution on capital reduction.

Ban on Pledging the Share in Favor of the Company

Article 156

A company may not accept as pledge the share of a company member in that company.

3.2. Company's Own Shares

Acquisition of Own Share

Article 157

A share or part of a share a company acquires from its member is considered to be own share of the company in terms of this Act.

The company may acquire own shares pursuant to a resolution of the general meeting on the grounds of:

1) Unencumbered legal transaction;

2) Expulsion of a company member;

3) (Deleted)

4) Repurchase of share or part of share of a company member;

5) Compulsory repurchase of share of a deceased member, if such company right is provided in the memorandum of association;

6) Status change, in line with this Act;

A company may acquire own share only if the share it acquires is fully paid up, except in case from paragraph 2 items 2), 5) and 6) of this Article, when the company may acquire a share that has not been fully paid.

Payment of compensation pursuant to acquisition of an own share in a case referred to paragraph 2, item 4) of this Article may be carried out by the company only from the reserves that may be used for these purposes.

A company may not acquire an own share so that it remains without its members.

A single member company may not acquire own share.

Acquiring of company's share by its controlled company shall be considered as acquiring of own share, in terms of this Act.

A legal transaction by which the company acquired own share contrary to provisions of this Article is null and void.

Rights of the Company Pursuant to Own Share

Article 158

A company does not have a voting right pursuant to own shares, nor do these shares count in the quorum at the general meeting.

An own share does not entitle to a share in the profit.

Disposing with Own Share

Article 159

A company may do the following with an own share:

1) Distribute it to the company members, in proportion to the participation of their shares in the share capital of the company, pursuant to a general meeting resolution;

2) Transfer it to a company member or third party in exchange for a consideration, in which case each company member is entitled to a pre-emptive right to purchase, proportionate to the amount of his share in the company;

3) (Deleted)

The decision on disposal of own share referred to in paragraph 1 of this Article must contain a time limit for payment of unpaid, i.e. entry of not entered contribution.

If the company does not dispose with its own share in the manner referred to in paragraph 1 of this Article, within three years from the day of acquisition, it is obliged to cancel its own share and conduct the procedure for reducing the share capital.

The general meeting adopts the resolution to dispose with own share with a simple majority of votes of all company members, unless the memorandum of association provides otherwise.

As an exception, own share may be distributed to company members disproportionately to the participation of their shares in the company's share capital only pursuant to a unanimous decision of the general meeting, unless the memorandum of association provides otherwise.

3.3. Freedom to Transfer Share

Basic Rule

Article 160

Share transfer is free unless provided otherwise by this Act or the memorandum of association.

Pre - Emptive Right

Article 161

Company shareholders are entitled to a pre-emptive right in purchasing the share that is subject to transfer to a third party, unless that right has been excluded by the memorandum of association or law.

Procedure with Regard to the Pre - Emptive Right

Article 162

Share transferor shall offer his share to all other company members before the transfer of share to a third party.

Offer from paragraph 1 above is given in written form and includes all important elements of a share transfer agreement, address to which the company member who exercises the pre-emptive right directs the offer acceptance, term for conclusion and certification of the share transfer agreement, as well as other elements prescribed by the memorandum of association.

It shall be considered that an offer that does not include all elements provided under paragraph 2 of this Article has not been made.

A company member exercising the pre-emptive right shall inform the share transferor in writing on fully accepting the offer from paragraph 1 above, within a time limit of 30 days of the day of receipt of the offer, unless another time limit, not longer than 90 days from the day of receipt of the offer, has been prescribed by the memorandum of association.

If two or more members accept the offer, and if the share transferor and those members do not reach agreement on the manner of distribution of the share being transferred, the distribution is effected so that each member who had accepted the offer purchases a part of the share that is proportionate to his share in the sum of shares of all other members who have accepted the offer.

Memorandum of association may regulate the procedure related to the pre-emptive right in a different way.

Violation of the Pre-Emptive Right

Article 163

A member of the company who has a pre-emptive right to whom the share transferor has not served an offer in accordance with this Act, i.e. in the manner envisaged in the memorandum of association, may file an action to the competent court, demanding:

1) Annulment of the agreement or other document used for share transfer;

2) Obligation of the defendant - company member to transfer the share to the plaintiff, i.e. that the judgment replaces the share transfer agreement between the plaintiff and the defendant, both members of the company.

The action from paragraph 1 of this Article may be filed within a term of 30 days from the day of having learned that the share transfer agreement was concluded, at the latest on the expiry of the

sixth months from the day of registration of the transfer of share in the business entities' register.

The court may, in the proceedings following the action from paragraph 1 above, at the defendant's request, instruct the plaintiff to lay down appropriate security for payment of the purchase price in the case of success in the litigation in the form of a court deposit, bank guarantee, or other security instrument issued in accordance with the law.

If the plaintiff fails to act in accordance with the court's instruction under paragraph 3 of this Article, the claim is dismissed.

Transfer of Shares in Case of More Parties Accepting the Offer

Article 164

If a number of company members have accepted the offer, some of which subsequently refuse or fail to proceed with the conclusion and certification of the share transfer agreement within the deadline set forth in the offer, due reasons that are not the fault of the share transferor, the share transferor concludes the share transfer agreement with the company members who have proceeded with concluding the agreement and its certification, unless otherwise provided in the memorandum of association.

If none of the company members who have accepted the offer proceeds with concluding the agreement on transfer of shares and its certification within the deadline set forth in the offer referred to in Article 162 of this Act, due to reasons that are not the fault of the share transferor, the share transferor may transfer his share to a third party under the conditions that may not be more favorable for that person than the conditions set forth in the offer from Article 162 of this Act, unless otherwise provided in the memorandum of association.

In the case referred to in paragraphs 2 of this Article, the share transferor may, at his will, instead of transferring the share to a third party, file an action before the competent court against one or more company members who have accepted the offer, demanding that a court pass a judgment whereby it shall:

1) Determine that each defendant has acquired a proportionate part of the share that is the subject of transfer, which corresponds to the portion of such defendant's share in the sum of shares of all defendants;

2) Obligate each defendant to pay a proportionate part of the price of the share that is the subject of transfer, which corresponds to the acquired part of that share pursuant to item 1) of this Article.

The action from paragraph 3 of this Article may be filed within a term of 30 days from the day of expiration of the deadline indicated in the offer from Article 162 of this Act as the deadline for conclusion and certification of the share transfer agreement.

Share Transfer to a Third Party

Article 165

If not a single company shareholder with pre-emptive right has exercised this right pursuant to the provisions of this Act and memorandum of association, the share transferor may conclude an agreement on share transfer with a third party, within a deadline of 90 days from the day of expiration of the offer acceptance deadline, under the conditions that may not be more favorable than the conditions of the offer served to other company members, unless otherwise provided by the memorandum of association.

Exception in Case of Procedure of Public Sale

Article 166

Unless otherwise provided for by the memorandum of association, if the share is sold by public tender, auction or a similar procedure (public sale), the company member who wishes to exercise

the pre-emptive right may do so only in that procedure.

Share Transfer with Consent of the Company

Article 167

The memorandum of association may envisage that the share in a company may be transferred to a person who is not the company's member only with prior consent of the company.

In the case from paragraph 1 of this Article, the share transferor is under an obligation to file a request for consent to the company which, apart from the identity of the person to whom the share is transferred, contains all essential elements of the agreement on transfer of shares that he intends to conclude.

A decision from paragraph 1 of this Article is adopted by the general meeting by a simple majority of votes of all company members, unless other majority is prescribed by the memorandum of association.

If the company fails to inform the share transferor on denial of consent within a term of 30 days from the day of receiving the request for consent, the share transferor is authorized to transfer the share in accordance with the conditions from that request.

The memorandum of association may regulate the transfer or share with company's consent in some other manner.

In case of share transfer contrary to the provisions of this Article, Article 163 of this Act applies mutatis mutandis.

Company's Right to Designate the Share Purchaser

Article 168

Instead of granting consent from Article 167 of this Act, the company is authorized to designate a third party to whom the transferor may transfer the share under the same conditions, in which case the share transferor may transfer his share exclusively to that third party, under those conditions.

The decision from paragraph 1 of this Article is adopted by the general meeting, pursuant to Article 167, paragraph 3 of this Act.

If the third party from paragraph 1 of this Article fails to proceed with conclusion and certification of the share transfer agreement under the conditions indicated in the request from Article 167, paragraph 2 of this Act within a term of 15 days from the day the share transferor was notified of such company's resolution, for reasons other than due to the fault of the share transferor, the share transferor is entitled to sell the share to a third party at his own choice under the same conditions.

If the third party designated by the company concludes and certifies the agreement on the transfer of shares, the company is liable, jointly and severally, to the share transferor for the payment of sale and purchase price, together with that person.

If the company adopts the resolution from paragraph 1 of this Article, in case the share is being transferred in the procedure of public sale, Article 166 of this Act is applied mutatis mutandis.

In case of transfer of share contrary to provisions of this Article, the Article 163 of this Act applies mutatis mutandis.

Obligation to Buy Share

Article 169

If the company informs the share transferor that the requested consent is denied, while not designating a third party pursuant to Article 168 of this Act, it is obliged to purchase the share from the transferor within 30 days from the day of expiry of the time limit from Article 167 paragraph 4 of this Act.

If the company fails to comply with paragraph 1 of this Article, the transferor of share is entitled to sell the share to a third party of his choice, under the same conditions.

Other Restrictions Regarding Share Transfer

Article 170

Memorandum of association may envisage other types of restrictions regarding share transfer.

Sale of Share in Enforcement Procedure or Procedure of Out-of-Court Settlement

Article 171

In case of sale of share in enforcement procedure, or in a procedure of court or out-of court settlement pursuant to the law governing pledge on movable assets inscribed in a register:

1) Members of the company with pre-emptive right in respect to that share retain that right;

2) If the memorandum of association envisages the right of the company to grant prior consent to transfer of share, the company's consent for the sale of share is not necessary, but the company is entitled to designate the purchaser of the share pursuant to Article 168 of this Act.

Share Transfer by Inheritance

Article 172

In case of death of a company member, such member's heirs acquire his share pursuant to the law regulating inheritance.

Upon request of the company or one of the heirs of the deceased company member, the court competent to conduct inheritance proceeding regarding the deceased company member may appoint a temporary representative in charge of the deceased person's estate to exercise member's rights in the company on behalf of and for the account of the heirs of the deceased company member.

Compulsory Purchase of Share from Heirs

Article 173

The memorandum of association may envisage the right of the company or one or more company members to pass, within a term of six months from the death of a company member, but not later than three months from the day of registration of the deceased member's heirs as company members in accordance with the registration act, a decision on compulsory purchase of share from his heirs.

If the right to compulsory purchase is established in favor of the company, the decision from paragraph 1 of this Article is adopted by the general meeting by a simple majority of votes of all company members, while at the same time the share of the deceased shareholder is not included in quorum count, unless larger majority is provided for in the memorandum of association.

If the right to compulsory purchase is established in favor of one or more members, such member or members shall inform the company on the exercise of such right in writing within the deadline from paragraph 1 of this Article.

The director shall promptly forward the decision from paragraph 2 of this Article, i.e. the information from paragraph 3 of this Article to the business entities' register so that an annotation of the exercise of right to compulsory purchase is entered in that register.

From the day of inscription of the annotation referred to in paragraph 4 of this Article until the day of

payment of the compensation for share, the deceased member's heirs may not exercise voting rights in the general meeting.

Compensation for Compulsory Purchase of Share

Article 174

If the memorandum of association provides for a compulsory purchase of share pursuant to Article 173 of this Act, this document shall also prescribe the method of determining the compensation for the purchase of share, as well as the deadline for its payment; otherwise, it shall be considered that this right does not exist.

If a company or a member, i.e. members of the company decide to exercise the right on compulsory purchase of share, the heirs of the deceased company member are entitled to a payment of compensation determined pursuant to the memorandum of association, within the deadline set forth in that document.

The company may adopt the decision from Article 173, paragraph 1 of this Act if the payment of compensation pursuant to that decision would be contrary to the provisions of this Act on restrictions on payments.

Unless otherwise provided for in the memorandum of association or the decision from Article 173, paragraph 1 of this Act, the deadline for payment of compensation for purchase of share of the deceased member of the company starts running from the day of delivery of a final decision in inheritance administration whereby the heirs of the deceased company member were pronounced in respect of their share.

Conditions and Consequences of Share Transfer

Article 175

A share is transferred by a written agreement with certified signatures of the transferor and the transferee, but it may also be transferred in another way in accordance with the law.

The share transferor is jointly and severally liable with the share transferee for the obligations to the company on account of his unpaid, i.e. not entered contribution in the company's share capital, as well as for the obligation of additional contributions in respect of that share, according to the actual status at the moment of share transfer.

Legal actions taken against the share transferor or by the share transferor prior to registration of the share transfer in accordance with the registration act concerning that share or relations within the company are considered as actions taken against, i.e. by the share transferee, unless this is incompatible with the nature of the legal action taken.

Division of Share

Article 176

A share of a company member may be divided:

1) On the basis of a share transfer agreement;

2) On the basis of legal succession;

3) By means of an agreement on the division of shares between the co-owners;

4) In other cases, in keeping with the law.

The company's memorandum of association may exclude the division of shares, except in cases of inheritance, or it may permit it only in specific cases.

The provisions of this Act on disposal of the share apply mutatis mutandis to the disposal of a part of the share.

Share Pledging

Article 177

A company member may pledge the share or a part of the share, unless otherwise stipulated by the memorandum of association.

If the memorandum of association prescribes that the share transfer to third parties may be made only with prior consent of the company, such consent is also required for pledging of the share or a part of the share, but not for the subsequent sale of the share in the procedure for payment of claim from the value of the pledged share.

Pledging of share is done pursuant to the law governing pledge on movable assets inscribed in the register.

4. Additional Payments to the Company

Manner of Establishing the Additional Payment Obligation

Article 178

The memorandum of association or the resolution of the company's general meeting may prescribe an obligation on the part of company members, in addition to paying up the subscribed share capital, to make additional payments to the company in proportion to the value of their share in the company. The memorandum of association or the resolution of the company's general meeting may prescribe a different proportion,i.e. the exact amount of additional payments.

The memorandum of association or the resolution of the general meeting referred to in paragraph 1 of this Article may also stipulate the time limits for return of additional payments.

Additional payments do not increase the company's share capital.

Additional payments may only be in cash.

The resolution of the company's general meeting determining the obligation to additional payments is passed unanimously, unless the memorandum of association envisages a different majority for passing such resolution.

If the memorandum of association envisages that resolution from paragraph 5 of this Article is passed by a different majority, then that resolution binds only the members who have voted for it.

Consequences of Failure to Make Additional Payment

Article 179

A member of the company is liable to the company for execution of the obligation to make additional payments in the manner in which he is liable for payment of subscribed share capital.

A company member who has transferred his share before fulfilling the obligation to make additional payment is jointly and severally liable with a share transferee for that obligation during a period of three years from the day of registration of the transfer of share in keeping with the registration act.

A company member who has paid, i.e. entered his contribution may be relieved from the duty of additional payment if, within a term of 30 days from the day that obligations becomes due, authorizes the company to sell his share in the procedure of public auction or in other manner.

If, by selling the company member's share in the manner pursuant to paragraph 3 of this Article, the company achieves the price that is, once the sale costs are deducted, lower than the amount of his obligation for additional payment, the company member remains obliged to pay such difference to the company, but if the company achieves by such sale the price which, after deduction of sale costs, exceeds the amount of his obligation for additional payment, the company shall pay such difference to that company member.

If a company member fails to authorize the company to sell his share pursuant to paragraph 3 of this Article, or if his share is not sold within a term of two years from the day the additional payment obligation becomes due, or within the deadline set forth in the memorandum of association or within the time limit agreed on with that company member for reasons other than due to the failure on the part of the company, the general meeting may pass a resolution to expel that company member from the company, without the right to compensation for the value of his share, by mutatis mutandis application of Article 195 of this Act, within a term of 180 days from the day of the expiry of the prescribed or designated or agreed on time limit.

If the conditions from paragraph 5 of this Article are met regarding a number of members of the company who are in default in respect of the additional payment obligation, the decision on expulsion is adopted for all such members.

In case of expulsion in accordance with this Article, the expelled company member remains liable to the company for additional payment.

Return of Additional Payments

Article 180

The company is obliged to return the additional payments to members of the company within the time limit referred to in Article 178, paragraph 2 of this Act, or if the time limit has not been set, at their request, only if this is not necessary for covering the losses of the company or for settling the creditors of the company.

Additional payments cannot be returned to the member of the company before payment, i.e. entry of the entire inscribed contribution in the company.

Exceptionally at the request of the member of the company who made the additional payment, but who did not fully pay the inscribed contribution in the company, regarding the amount of the unpaid inscribed contribution, the company may pass a resolution that the additional payment, instead of its return, is deemed to be complete or partial fulfillment of the obligation of payment of the inscribed monetary contribution.

The company is obliged to return the additional payments under the conditions referred to in paragraph 1 of this Article and to the members of the company whose capacity as members has ceased, if this is not contrary to the provisions of this Act.

In the event of transfer of a share, the company is obliged to return the additional payments to the transferor of the share, unless the share transfer agreement provides otherwise.

The return of additional payments is made by mutatis mutandis application of the provisions of this Act on the reduction of the share capital of the company.

If the company fails to return the additional payments, the persons referred to in paras. 1, 4 and 5 of this Article may file a lawsuit with the court to recover the additional payments.

The final court decision made in the lawsuit referred to in paragraph 7 of this Article constitutes the basis for registration of the initiation of the procedure for the return of additional payment.

In case of bankruptcy of the company, claims arising from additional payments are settled only after the full settlement of the bankruptcy creditors of the company with the corresponding interest.

Article 181*

(Repealed)

5. Payments to Members of the Company

General Rule

Article 182

A company may execute payments of profit to its members, return of additional payments, loan and similar, as well as other payments on any grounds, exclusively in keeping with the memorandum of association and provisions of this Act on limitations of payments.

Right to Profit Payments

Article 183

The provisions of this Act on payment of dividends and interim dividends to shareholders are applied mutatis mutandis to profit distributions to members of the company.

The memorandum of association may stipulate that the payment of profit is not effected in proportion to the share of the members in the company's share capital.

Payment Limitations

Article 184

The provisions of Article 275, paragraphs 1 through 4 of this Act governing limitations on payments of joint stock companies are applied mutatis mutandis to a limited liability company.

Director, as well as a member of the supervisory board, if the company has a two-tier management system, who has become aware that in the period between the end of previous business year and the day when the general meeting issued its resolution to approve the company's annual financial statement, the company's financial status has considerably and not only temporarily deteriorated due to the losses or reduction of the share capital value, shall notify the general meeting thereof, and the general meeting shall, upon receiving such notification, exclude from the distribution of profit the amount corresponding to the reduction of the company's assets.

If the director, i.e. the supervisory board member fails to act in accordance with paragraph 2 of this Article, he is liable to company members and creditors of the company for the damage incurred due to the effected distribution of profit.

Liability for Prohibited Payments

Article 185

A company member to whom the company has made payments contrary to the provisions of Article 182 of this Act is liable to the company for the return of those payments, and the company may not relieve him of that liability.

Return of payments may be requested from a bona fide company member only if that is necessary to settle the claims of company creditors.

Other company members who approved those payments by voting at the general meeting, as well as directors, i.e. supervisory board members, in case of a two-tier management system, who approved those payments, and who knew or, according to the specific circumstances, might have known that those payments were in contravention with the provisions of this Act on payment limitations, have joint, several and unlimited liability towards the company for the return of those payments and the company may not relieve them of that liability.

In addition to the persons from paragraph 3 of this Article, other directors, i.e. members of the supervisory board, as well as members of the company, for whom it is proven that they have

deliberately or through gross negligence contributed to the company's making such prohibited payment, are subject to unlimited joint and several liability.

The statute of limitations for the company's claim against persons referred to in this Article is five years from the day the payment was effected.

The statute of limitations for the company's claim against a company member who had received the payment is ten years if the company proves that such member knew or must have known that he was receiving a prohibited payment.

6. Termination of Member Capacity

Reasons for Termination of Member Capacity

Article 186

The capacity of a company member is terminated upon:

1) Death, if a member is a natural person, i.e. by striking off from the relevant register, if a member is a legal person;

2) Withdrawal from the company;

3) Expulsion from the company;

4) Transfer of the entire share;

5) Withdrawal and cancellation of the share.

6.1. Withdrawal of the Company Member

Withdrawal of Company Member without Claiming Compensation for the Share

Article 187

A member of the company, who does not have outstanding obligations towards the company on the basis of unpaid or not entered contribution into the company, can at any time, on the basis of the statement of withdrawal delivered to the company, withdraw from the company without specifying the reason for withdrawal, if he does not claim compensation for its share.

The share of a member of the company that has withdrawn from the company becomes an own share of the company even without making a decision on acquiring own share.

With the withdrawal of a member from the company, the obligations that the member had towards the company until the moment of withdrawal do not cease.

The withdrawal of a member from the company and the acquisition of own share is registered in accordance with the registration act.

Withdrawal of Company Member Due to Justified Reasons

Article 188

A company member may withdraw from the company due to justified reasons.

A justified reason for the member’s withdrawal exists in particular:

1) If one or more other members of the company, or the company are inflicting damages upon him by their actions or failures to act, or if it is obvious that such damage, according to a normal course of events, shall ensue;

2) If he is to a considerable extent prevented from exercising his rights in the company;

3) If the company is imposing on him disproportional obligations.

The memorandum of association may stipulate other justified reasons for withdrawal of a company member, and prescribe the procedure of withdrawal and the method of determination of compensation to the withdrawing company member.

The memorandum of association may not exclude in advance the company member's right to demand withdrawal from the company for justified reasons, nor can a company member waive such right in advance.

Withdrawal Procedure

Article 189

A company member wishing to withdraw from the company pursuant to Article 188 of this Act shall deliver a written request for withdrawal to the company, which shall be decided upon by the general meeting.

The request from paragraph 1 of this Article contains in particular:

1) Reasons for withdrawal;

2) Amount requested from the company as compensation for the share;

3) Time limit in which compensation for share is demanded, unless that time limit is specified in the memorandum of association.

The general meeting shall adopt a decision on the request from paragraph 1 of this Article within a term of 60 days from the day of receipt and notify the withdrawing member within the same term.

The general meeting may only approve or reject the request from paragraph 1 of this Article in full.

The decision from paragraph 3 of this Article is adopted by a simple majority of votes of the all company members, unless the memorandum of association provides for a larger majority.

The share of a member of the company that has withdrawn from the company becomes company’s own share even without passing a decision on acquiring its own share, in proportion to the paid, i.e. entered contribution, while for the amount of unpaid i.e. not entered contribution, the company's share capital is reduced, applying the provisions of Article 147a of this Act.

The member's withdrawal from the company and acquisition of own share is registered in line with the registration act.

Pledge as Security for Payment of Compensation

Article 190

A company member may, as a part of the request for withdrawal for justified reasons, request that the company provides security for payment of compensation for his share by establishing a pledge on the own share that shall be acquired by the company if it accepts his request for withdrawal from the company, pursuant to the law governing pledge on movable assets inscribed in the register.

The member of the company from paragraph 1 of this Article shall deliver a draft of the share pledge agreement the conclusion of which he proposes to the company, attached to the request for withdrawal from the company.

In the case from paragraph 1 of this Article, the general meeting may approve the withdrawal request only if it simultaneously approves the conclusion of the proposed share pledge agreement in favor of the withdrawing member or, with the approval of the withdrawing company member, provides for other appropriate security.

Payment of Compensation

Article 191

The company may pay compensation for the share of the company member who withdrew from the company only from:

1) Reserve funds of the company that may be used for those purposes;

2) Funds realized from sale of the company's own share acquired by withdrawal of that company member.

Until full payment of compensation for the share of the member that withdrew from the company, the company may not distribute profit to its member and shall:

1) Distribute tall gained profit to the reserves from paragraph 1 item 1) of this Article;

2) Use all funds from paragraph 1 of this Article exclusively for payment of that compensation.

Withdrawal Due to Justified Reasons by Court Decision

Article 192

If the general meeting rejects the request for withdrawal from Article 189 of this Act, i.e. fails to decide on the matter within a term of 60 days from the day of receipt of the request, the company member may file an action before a competent court against the company requesting termination of his member capacity due to existence of a justified reason, and payment of compensation for his share.

In the judgment determining the termination the member capacity of the company member, the court shall also determine:

1) That the share of the withdrawing company member becomes the company's own share;

2) The amount of compensation that the company shall have to pay to the withdrawing company member;

3) Deadline for payment of the compensation from item 2) of this paragraph;

4) Establishing of a pledge in favor of the withdrawing company member on the company's own share from item 1) of this paragraph, if the plaintiff so requested and if the court finds it necessary and justifiable for the purpose of securing the payment of compensation from item 2) of this paragraph.

The compensation from paragraph 2 of this Article shall be determined by the court according to the market value of the withdrawing company member's share on the day the action was filed, but not lower than the proportional part of the net value of company’s assets which corresponds to the participation of such member's share in the company's share capital on the day the action was filed, unless the memorandum of association prescribes some other method of determining that compensation.

The deadline from paragraph 2 of this Article shall be set by the court taking into account the company's financial situation and expected earnings of the company in ordinary course of business, where such deadline may not exceed two years from the day the judgment becomes final, unless a longer deadline is envisaged by the memorandum of association, but not longer than five years.

The action from paragraph 1 of this Article may be filed within a term of six months from the day of becoming aware of the reason for withdrawal, and at the latest within a term of three years from the occurrence of the reason for withdrawal.

Payment of Compensation Determined by the Court and Compensation of Damages

Article 193

The provisions of Article 191 of this Act apply to the payment of compensation determined by the judgment in accordance with Article 192, paragraph 2 of this Act.

The member who withdrew from the company for justified reasons is also entitled to compensation of damages possibly sustained by actions or failure to act by the company, the right to which may be exercised by an action filed to the competent court in a separate lawsuit.

If the company fails to pay the awarded compensation to the member of the company who withdrew within the deadline set out in the court decision, the member who withdrew may apply for enforcement only by sale of the own share that the company acquired from him, while all other company members are also jointly and severally liable with all their property for the payment of the awarded compensation in proportion to their shares in the company's share capital.

Article 194

(Deleted)

6.2. Expulsion of a Company Member

Expulsion of a Member by Resolution of the General Meeting

Article 195

In the case from Article 48, paragraph 7 of this Act, the general meeting passes a decision on expulsion of the company member by a two thirds majority of votes of the remaining member of the company, unless the company's memorandum of association requires a different majority.

The decision from paragraph 1 of this Article may be passed only with respect to all members of the company who have not fulfilled their obligation from Article 46, paragraph 1 of this Act even within the subsequently provided deadline from Article 48 paragraph 2 of this Act.

By expulsion of the company member, the share of that company member becomes the company's own share, and the expelled member is not entitled to compensation for his share.

The resolution from paragraph 1 of this Article constitutes grounds for striking off of the expelled member from the business entities' register.

The expelled member remains under an obligation to pay, i.e. enter the subscribed contribution, and to make additional payments to which he was obligated, if this is necessary for settlement of company's creditors.

A former owner of the share of the expelled member is also liable to the company for fulfillment of the obligation from paragraph 5 of Article, in terms of the Article 175, paragraph 2 of this Act.

The company reserves the right to claim damages from the expelled member by filing an action to the competent court.

Expulsion of the Member by a Court Decision

Article 196

A company may request expulsion of a company member by filing an action to the competent court, for the reasons prescribed by the memorandum of association or other justified reasons, and in particular if the member of the company:

1) Deliberately or by gross negligence inflicts damage to the company;

2) Fails to execute special duties towards the company prescribed by this Act or the memorandum of association;

3) By his actions or failures to act, contrary to the memorandum of association, law or good business practices, obstructs or significantly hinders the company's business operations.

A resolution to file the action from paragraph 1 of this Article is passed by the general meeting in accordance with the provisions of this Act.

At the request of the company, the court may issue an interim measure to temporary suspend voting right of the company member whose expulsion is requested, as well as other rights of that company member, or an interim measure of compulsory receivership in the company, if it finds it necessary and justifiable to prevent damages that the company may sustain.

The memorandum of association may neither in advance exclude the company's right to file the action for expulsion of the company member, nor the entitlement of the expelled member to the compensation of the value of the share.

The action for expulsion of the company member may be filed within a term of six months from the day of finding out about the reason for expulsion, and at the latest within a term of five years from the occurrence of the reason for expulsion.

If, at the request of the member who holds a share representing at least 5% of the company's share capital, the general meeting fails to decide on the request for the filing of the action referred to in paragraph 1 of this Article within two months from the day the request was filed or rejects the request or the action is not filed within 30 days from the day when the decision to file the action has been made, the member who filed the request has the right, within a subsequent time limit of 30 days, to file an action to the court in his name, but on behalf of the company.

By expulsion of a member, such member's share becomes the company's own share.

The expelled member remains under obligation to pay, i.e. enter the subscribed contribution and make additional payments to which he was obliged, if this is necessary to settle the company's creditors.

Compensation for Share in Case of Expulsion by Court Decision

Article 197

An expelled member may file an action against the company before the competent court requesting to be compensated for the value of his share.

The action from paragraph 1 of this Article may be filed within a term of 180 days from the day of finality of the judgment on expulsion of the company member.

The court shall determine the compensation from paragraph 1 of this Article in the amount of the value of the liquidation surplus that would belong to the expelled member in proportion to his share in the company's share capital, on the day of finality of the judgment on expulsion of that member from the company, with calculated interest in the amount of the discount rate of the National Bank of Serbia increased by 2%, starting from the day the judgment on expulsion became final.

When determining the compensation from paragraph 1 of this Article, the court shall also determine the deadline for payment of that compensation, taking into account the company's financial situation and expected earnings of the company in the ordinary course of business, provided that such deadline may not be longer than two years from the day of finality of the judgment, unless the memorandum of association provides for a longer deadline, but not exceeding five years.

The provisions of Article 191 of this Act apply to the payment of compensation determined in the judgment of the competent court from paragraph 4 of this Article.

If the company fails to pay the awarded compensation to the expelled member within the deadline set out in the judgment, the expelled member may seek enforcement only by sale of the own share that the company acquired from him.

If the proceeds acquired from sale of own share in enforcement procedure are not sufficient for settlement of claim of the expelled company member regarding the awarded compensation, the outstanding part of that claim is extinguished.

The company is entitled to seek compensation of damages from the expelled member.

7. Managing the Company

Company Bodies

Article 198

Management of the company may be organized as one-tier or two-tier board system.

In case of a one-tier board system, the company bodies are:

1) General meeting;

2) One or more directors.

In case of a two-tier management system, the company bodies are:

1) General meeting;

2) Supervisory board;

3) One or more directors.

In a single-member company the role of the general meeting is carried out by the company's sole member.

In case from paragraph 4 of this Article when the company's sole member is a legal person, the memorandum of association may designate a body of that company that shall perform the function of the general meeting on behalf of that company, while in absence of such provision it is considered that such role belongs to the registered representative of that member.

A memorandum of association determines whether the company is managed through a one-tier or two-tier board system.

7.1. General Meeting

7.1.1. Composition and Competences

Composition of the General Meeting

Article 199

A general meeting is composed of all company members.

Unless provided otherwise in the memorandum of association, every member of the company has a voting right in the general meeting in proportion to his share, provided that such bylaw may not stipulate that a member of the company has no voting right.

Competences of the General Meeting

Article 200

The general meeting of the company:

1) Adopts amendments to the memorandum of association;

2) Approves financial statements, as well as auditor's reports, if financial statements were subject to auditing;

3) Supervises the work of the director and approves the reports of the director, if the company has a one-tier board system

4) Approves the reports of supervisory board, if the company has a two-tier management system;

5) Decides on the increase and reduction of the company's share capital, as well as on every issue of securities;

6) Decides on profit distribution, and on the method of covering losses, including the determining of the day of acquiring of the right to a share in profit and the day of distribution of the share in profit to the members of the company;

7) Appoints and dismisses the director and determines his remuneration or the principles for determining such remuneration, if the company has a one-tier board system;

8) Appoints and dismisses members of the supervisory board, and determines their remuneration, if the company has a two-tier management system;

9) Appoints an auditor and determines his remuneration;

10) Decides on opening of liquidation proceeding, as well as on filing proposals for opening of bankruptcy proceeding by the company;

11) Appoints a liquidation administrator and approves liquidation balance sheets and reports of the liquidation administrator;

12) Decides on acquisition of own shares;

13) Decides on obligations of company members to make additional payments and on return of those payments;

14) Decides on the company member's request for withdrawal;

15) Decides on exclusion of the company member because of his failure to pay or enter the subscribed contribution;

16) Decides to initiate a lawsuit for expulsion of a company member;

17) Decides on withdrawal and annulment of a share;

18) Appoints and dismisses other representatives of the company, if the management of the company is of a one-tier type;

19) Decides on initiating a lawsuit and granting a power of attorney to represent the company in its dispute with the procurator, as well as in the dispute with the general manager, if the company has a one-tier board system, or with a supervisory board member, if the company has a two-tier management system;

20) Decides on initiating a lawsuit and granting a power of attorney to represent the company in its dispute with a company member;

21) Approves the accession of a new member and gives consent to the transfer of share to a third party in the case from Article 167 of this Act;

22) Decides on changes of the status and legal form of the company;

23) Gives approval to legal transactions in which a personal interest exists, in keeping with Article 66 of this Act;

24) Gives approval to acquiring, selling, leasing, pledging or otherwise disposing of the company's assets of high value, in keeping with Article 470 of this Act;

25) *(Deleted)*

26) Conducts other operations and decides on other matters in keeping with this Act and the memorandum of association.

7.1.2. Sessions of General Meeting

Types and Holding of Sessions

Article 201

Sessions of the general meeting may be ordinary and extraordinary.

The provisions of Article 364 of this Act governing holding of an ordinary session of a joint stock

company's general meeting apply to holding of an ordinary session of the general meeting.

The provisions of Article 371 of this Act governing holding of an extraordinary session of a joint stock company's meeting of stockholders shall apply to extraordinary meetings.

Convening Meetings

Article 202

A general meeting is convened by:

1) Director, if the company is managed by a one-tier board system;

2) Supervisory board, if the company is managed by a two-tier board system.

The memorandum of association may provide that a general meeting may be convened by a company member or some other person.

The session of the general meeting shall be convened if so requested in writing by company members holding or representing at least 10% of the voting rights, unless the memorandum of association provides that the members holding together or representing a smaller percentage of votes are also entitled to that right.

If the directori.e. supervisory board fails to convene the session within a term of three days from the day of receipt of the request from paragraph 3 of this Article, so that the day of holding the session will fall not later than 15 days from the receipt of the request, the applicants may convene the session of the general meeting themselves within a term of eight days from the day of expiry of that time limit for holding the meeting.

Venue of the Session

Article 203

The provisions of Article 332 of this Act in respect of the venue for holding the sessions of the general meeting of a joint stock company apply to the venue for holding the session of the general meeting, unless otherwise specified in the memorandum of association or in a resolution of the general meeting.

Notification and Agenda

Article 204

A general meeting is convened by sending a written invitation to every company member to the member’s address from the records of data on company members, and the invitation is considered served on the day the registered mail is sent by post, unless another manner for inviting is prescribed by the memorandum of association or the company member has consented in writing to a different mode of inviting.

The invitation for the session is served on every member of the company not later than eight days prior to the day of holding of the session of the general meeting, unless a different time limit is provided in the memorandum of association.

The invitation contains in particular:

1) Day of sending the invitation;

2) Time and place of holding the session;

3) Proposed agenda for the session, with clear indication of the items of the agenda that have to be resolved by the general meeting;

4) Materials for the session.

The provisions of Art. 367 and 374 of this Act on materials for ordinary and extraordinary session of

the general meeting of a joint stock company apply also to the materials for ordinary and extraordinary session of the general meeting of a limited liability company.

A meeting may discuss and decide on the issues stated in the agenda, and also on other matters only if the meeting is attended by all members and provided that none of the members opposes that, unless otherwise provided for in the memorandum of association.

Right to Add Items of the Agenda

Article 205

One or more company members holding or representing at least 5% of the share in the company's share capital may add items to the agenda of the session via written notice to the company, unless the memorandum of association grants such rights also to members holding or representing a smaller percentage of shares in the company's share capital.

The members of the company from paragraph 1 of this Article may also deliver the notice from paragraph 1 of this Article directly to all other company members at the addresses from the company member's data records.

The notice from paragraph 1 of this Article may be sent not later than three days from the day of holding of the session of the general meeting, unless otherwise stipulated in the memorandum of association.

The director shall forward the notice from paragraph 1 of this Article to all other company members at the latest on the working day that follows the day of receipt.

Company member who has not attended the session of the general meeting may challenge the resolutions adopted by the general meeting under the items of the agenda referred to in paragraph 1 of this Article provided that he did not receive the notification from paragraphs 2 or 4 of this Article until the day of holding of the session of the general meeting, in accordance with the provisions of this Act on challenging the resolutions of the general meeting.

Holding a Session without Convening

Article 206

A session may be held even without convening if it is attended by all company members, unless otherwise provided in the memorandum of association.

Power of Attorney for Voting

Article 207

A company member is entitled to appoint, by a written power of attorney, a specific person to participate on his behalf in the work of a general meeting of the company, including the right to vote on his behalf (a voting power of attorney).

The proxy from paragraph 1 of this Article may by any legally capable person.

The memorandum of association may foresee that the voting power of attorney has to be certified pursuant to the act governing certification of signatures.

A company member may not issue a power of attorney for voting in the manner that would restrict it to a part of his voting right based on his share.

Provisions of Article 344, paras. 2 to 5 and para. 12 and paras. 15 to 19 of this Act that relate to the voting power of attorney apply to the voting power of attorney.

Quorum

Article 208

A quorum for a session of the general meeting is a simple majority of the total number of company members' votes, unless the memorandum of association provides for a larger number of votes.

If the session of the general meeting could not be held due to a lack of quorum, a meeting is reconvened with the same proposed agenda not earlier than ten days and not later than 30 days from the day when the session should have been held (repeated session).

A quorum for the repeated session is 1/3 of the total number of company members' votes, unless the memorandum of association provides for a larger number of votes.

Manner of Work of the General Meeting

Article 209

General meeting may adopt its rules of procedure to lay down in detail the manner of work and decision-making pursuant to this Act and the memorandum of association.

The session of the general meeting is chaired by the chairman of the general meeting.

The provisions of article 333, paras. 1 to 3 of this Act regulating the chairman of the joint stock company's general meeting apply mutatis mutandis to the election and work of the election and work of the chairman of the general meeting.

Minutes

Article 210

Every resolution of the company's general meeting is entered in the minutes kept by the chairman of the general meeting, or a minute taker if appointed by the chairman of the general meeting.

The chairman of the general meeting is responsible for proper taking of minutes.

The minutes contain:

1) Venue and day of the holding of the session;

2) Name of the person that kept the minutes;

3) Summarized report of the discussion on each item on the agenda;

4) Result of voting for each item on the agenda on which the general meeting had decided, as well as the manner in which every present company member had voted;

5) Other elements, in accordance with the memorandum of association.

The list of members who participated in the work of the general meeting is an integral part of the minutes.

Minutes are signed by the chairman of the general meeting, minute taker if appointed, as well as all persons who took part in its work, unless otherwise stipulated by the company's memorandum of association, or the rules of procedure of the general meeting.

If a person who participated in the work of the general meeting has any objection regarding the minutes or refuses to sign the minutes, the person who keeps the minutes shall state that in the minutes and indicate the reasons for such refusal, where the person who has an objection may enter such objection in the minutes himself when signing.

Failure to comply with provisions of this Article does not affect validity of the resolutions adopted at the session of the general meeting, if the voting results and contents of those resolutions may be determined in another manner.

Majority Required for Deciding

Article 211

General meeting passes resolutions by a simple majority of votes of the present members entitled to vote on a specific issue, unless the law or the memorandum of association provides for a higher number of votes for some issues.

General meeting decides by a two-third majority of the total number of votes all company members on the following:

1) Increase or reduction of share capital;

2) Status changes and changes of legal form;

3) Passing a decision on liquidation of the company or filing a motion for initiating bankruptcy;

4) Profit distribution and the manner in which losses are covered;

5) Acquisition of company's own shares.

The company's memorandum of association may also determine other majority for making decisions from paragraph 2 of this Article, but not smaller than the simple majority of the total number of votes of company members entitled to vote on a given issue.

Decisions are signed by:

1) The sole member of the company performing the duty of the general meeting in a one-member company;

2) Both members of the company in a two-member company with equal shares of members i.e. equal voting right of members;

3) In the case of a repeated session in a two-member company with equal shares of members, i.e. equal voting right of members, both members of the company, if present, i.e. a member present.

4) Chairman of the general meeting in all other cases.

The provisions of paragraph 4 of this Article apply mutatis mutandis to the keeping and signing of the minutes referred to in Article 210 of this Act.

Conference Call Sessions, Voting in Written Form and Deciding without a Session

Article 212

Sessions of the general meeting may be held by using a conference call or other audio and visual conference equipment, so that all persons participating in the work of a session may communicate among themselves at the same time.

It is considered that the persons participating in this manner in the work of the session are present at the meeting in person.

A company member may also vote in writing, unless provided otherwise by the memorandum of association or the rules of procedure of the general meeting, and in such case, for the needs of calculating the quorum, it is considered that this member of the company is present at the session.

Every resolution may be passed without a session, if it is signed by all company members entitled to vote thereon.

Manner of Voting

Article 213

Voting at the general meeting is public.

Excluding the Voting Right

Article 214

A company member may not vote at a general meeting when the decision is adopted on:

1) His relieving from obligations towards the company, or on reduction of those obligations;

2) His withdrawal or expulsion from the company;

3) Initiating or withdrawing from a lawsuit against him, and hiring attorneys to represent the company in those cases;

4) Approval of transactions between him and the company pursuant to Article 66 of this Act;

5) In other cases prescribed by this Act and by the memorandum of association.

The member may neither vote at the general meeting if it decides on the matters at issue from paragraph 1, items 1), 3) and 4) of this Article, if the decisions relate to persons affiliated with that company member within the meaning of Article 62 of this Act.

The votes of the member of the company whose voting right is excluded are not taken into account when determining quorum for deciding on the matters from paragraphs 1 and 2 of this Article.

Presence of Other Persons at the Session

Article 215

Directors and supervisory board members, if the company has a two-tier management system, shall attend the sessions of the general meetings, if they are timely invited by the chairman of the general meeting, or any of the members of the company, or if so provided in the company's memorandum of association.

7.1.3. Adopting Financial Statements

Mutatis Mutandis Application

Article 216

Provisions of Article 370 of this Act on consequences of adopting i.e. failing to adopt financial statements of a joint stock company apply mutatis mutandis to the consequences of adopting i.e. failing to adopt the annual financial statements.

7.1.4. Contesting the Resolutions of the General Meeting

Mutatis Mutandis Application

Article 217

The provisions of Art. 376 to 381 of this Act on contesting the resolutions of the general meeting of a joint stock company apply mutatis mutandis also to contesting the resolutions of the general meeting of a limited liability company.

7.2. Directors

Number of Directors

Article 218

A company may have one or more directors who are legal representatives of the company.

The number of directors is determined by a memorandum of association or by a resolution of the general meeting.

If the memorandum of association or the resolution of the general meeting does not determine the number of directors, a company has one director.

A director is registered in accordance with the registration act.

Appointment of Directors

Article 219

A director is appointed by the general meeting, i.e. the supervisory board if the company has a two-tier management system.

When incorporating a company, a director may be appointed by a memorandum of association.

Unless otherwise specified in the decision on appointment, the term of office of the director starts on the day of adoption of the appointment decision.

Unless otherwise specified in the memorandum of association or in the resolution of the company's general meeting, it is considered that the term of office of a director is not limited.

A memorandum of association or resolution of the general meeting may determine conditions that a person has to meet to be appointed as a director.

Dismissal and Director's Resignation

Article 220

The general meeting, i.e. supervisory board, if the company has a two-tier management system, dismisses a director, and in doing so is not obliged to indicate the reasons for dismissal unless this is expressly stipulated in the memorandum of association or by a resolution of the general meeting.

Provisions of Article 396 of this Act on the resignation of a joint stock company director apply mutatis mutandis to the resignation of a director of a limited liability company.

Powers of Representation

Article 221

A director represents the company before third parties, pursuant to the memorandum of association, resolutions of the company's general meeting and instructions of the supervisory board, if the company has a two-tier management system.

If the company has more than one director, all directors jointly represent the company, unless otherwise provided for by the memorandum of association or the resolution of the company's general meeting.

Regardless of the method of representation from paragraph 2 of this Article, an expression of will given to one director is considered to be properly given to the company.

If the company was left without a director and the new director is not registered in the register of business entities within a further period of 30 days, a member of the company or other interested

person may request that the court in the non-contentious procedure appoints a temporary representative of the company.

The procedure referred to in paragraph 4 of this Article is urgent and the court is obliged to make a decision on the request within eight days from the day of receipt of the request.

If a company is left without any director, until appointment of a directori.e. temporary representative referred to in paragraph 4 of this Article, the expressions of will given to any member of the supervisory board, if any, or to any company member if the company has no supervisory board, are binding on the company.

The company acquires the rights and assumes liabilities out of transactions concluded on behalf of the company by the director, irrespective of whether the transaction was explicitly concluded of behalf of the company or the circumstances of the specific case imply that the will of participants in a legal transaction was to have that legal transactions concluded on behalf of the company.

Representation of the Company in a Dispute with a Director

Article 222

A director may not issue a power of attorney for representation or represent the company in a dispute in which he, or his affiliated person, is the opposing party.

Incomplete Number of Directors

Article 223

If a number of directors who individually represent the company falls below the number set forth by the memorandum of association or the resolution of the general meeting, the remaining directors continue to represent the company within the scope of their authorities.

If a number of directors authorized to jointly represent a company falls below the number set forth by the memorandum of association or the resolution of the company's meeting, the remaining directors shall promptly notify thereof the general meeting and the supervisory board, in case of a two-tier management system.

In the case from paragraph 2 of this Article, the general meeting, i.e. the supervisory board, in case of a two-tier management system, appoints the missing directors, and until such appointment the remaining directors may attend only urgent matters, unless otherwise provided for by the memorandum of association or the resolution of the general meeting.

Managing Company's Operations

Article 224

A director manages the company’s operations in keeping with the memorandum of association, resolutions of the general meeting, as well as with the instructions of the supervisory board, if the company has a two-tier management system.

If a company has more than one director, all directors manage the company's business jointly, unless otherwise provided for by the memorandum of association or the resolution of the company's general meeting.

If the memorandum of association or the resolution of the general meeting provides that, in managing the company's operations, each director acts independently, a director may not undertake a contemplated action if any of the remaining directors has objections thereto, but he is authorized to ask for instructions of the general meeting, i.e. the supervisory board, in case of a two-tier management system in the company.

In a company with one-tier board system, the directors perform all tasks not falling under the competence of the general meeting.

In a company with two-tier management system, the directors perform all tasks not falling under the competence of the general meeting and the supervisory board.

Responsibility for Ledgers, Financial Statements and Keeping Records of the General Meeting's Resolutions

Article 225

A director is responsible for proper keeping of the company's ledgers.

A director is responsible for the accuracy of the company's financial statements.

A director shall keep records of all resolutions adopted by the general meeting, in which each company member may get insight during the company's working hours.

Duty to Report

Article 226

The provisions of Article 399 of this Act apply mutatis mutandis to the obligation of a director to report to the general meeting, i.e. supervisory board, in case of a two-tier board system in the company.

A director of the company shall promptly notify each member of the company holding a share which represents at least 10% of the share capital, i.e. the supervisory board in case of a two-tier board system in the company, on occurrence of extraordinary circumstances that may be of importance for the status or business of the company.

Director's Remuneration

Article 227

The provisions of Article 393 of this Act governing the remuneration of a director of a joint stock company apply mutatis mutandis to the director's remuneration.

7.3. Supervisory Board

Competences and Composition of a Supervisory Board

Article 228

In case of a two-tier management system, a company also has a supervisory board, which supervises the work of the director.

The provisions of Art. 432 and 433 of this Act on who may be a member and on composition of the supervisory board of a joint stock company apply mutatis mutandis on who may be a member of the supervisory board and on composition of the supervisory board.

Appointment of Supervisory Board Members, Term of Office, and Relations with the Company

Article 229

A supervisory board member shall meet all conditions as prescribed by this Act for a joint stock company director, and shall not be employed by the company.

Chairman and members of the supervisory board are elected by the general meeting.

Upon company incorporation, the first chairman and members of the supervisory board may be appointed by the memorandum of association.

The provisions of this Act related to the appointment and term of office of the supervisory board members of a joint stock company and their relations with the company apply mutatis mutandis to all other matters regarding the appointment and term of office of the supervisory board members and their relations with the company.

Chairman and members of the supervisory board are registered in accordance with the registration act.

Remuneration of Supervisory Board Members

Article 230

The provisions of Article 438 of this Act relating to the remuneration of supervisory board members of a joint stock company are applied mutatis mutandis to the matters regarding the determination of remuneration of the supervisory board members.

Dismissal and Resignation of Supervisory Board Members

Article 231

The provisions of Art. 439 and 440 of this Act relating to the dismissal and resignation of supervisory board members of a joint stock company are applied mutatis mutandis to the dismissal of supervisory board members by the general meeting and resignation of supervisory board members.

Competences of Supervisory Board

Article 232

Supervisory board:

1) Sets the company's business strategy;

2) Appoints and dismisses a director and other representatives, determines their remuneration, i.e. principles for establishing such remunerations;

3) Supervises the work of the director and adopts director's reports;

4) Performs internal supervision of the company's operations;

5) Supervises legality of the company operations;

6) Establishes accounting policies of the company and a risk management policies;

7) Gives instruction to auditor to examine the company's annual financial statements;

8) Proposes to the general meeting the choice of auditor and remuneration for his work;

9) Controls the proposed profit distribution and other payments to company members;

10) Decides on initiating the proceeding and granting power of attorney to represent the company in a dispute with the director;

11) Carries out other duties as set forth in the memorandum of association and the resolution of the general meeting.

Unless otherwise stipulated by the memorandum of association or the resolution of the general meeting, the supervisory board issues prior consent for conclusion of the following transactions:

1) Acquisition, sale and pledging shares and stocks that the company holds in other legal persons;

2) Acquisition, sale and burdening of immovables, unless these transactions fall under an ordinary

business of a company;

3) Taking of credit facilities, i.e. taking and granting loans, issuing sureties, guarantees and security instruments for liabilities of third parties.

Matters from the competence of the supervisory board may not be transferred to the directors of the company.

The supervisory board decides on granting approval in cases giving rise to the existence of personal interest of a director, in keeping with Article 66 of this Act.

Submission of Annual Report on Company's Operation

Article 233

Unless otherwise provided in the memorandum of association, the supervisory board shall submit to the general meeting, once a year a written report on the company's business performance and on the conducted supervision of the work of the director.

The provisions of Article 442 of this Act relating to the supervisory board of a joint stock company are applied mutatis mutandis to other matters relating to the submission of the reports on the operations of the company and the consolidated annual statement on operations.

Manner of Operation and Supervisory Board Sessions

Article 234

Provisions of Art. 444 and 445 of this Act relating to a joint stock company supervisory board apply mutatis mutandis to the manner of work of the supervisory board, convening of sessions, attendance at sessions, decision-making and the minutes on the work of the supervisory board.

Liability of Supervisory Board Members

Article 235

The provisions of Article 447 of this Act relating to supervisory board of a joint stock company apply mutatis mutandis to the matters relating to the liability of the supervisory board members.

Special and Extraordinary Audit at the Request of Company Members

Article 236

The provisions of this Act governing the special and extraordinary audits carried out on request of stockholders of a joint stock company are applied mutatis mutandis to the matters relating special and extraordinary audit at the request of company members, unless otherwise provided in the memorandum of association.

8. Internal Supervision of Business Operation

Mutatis Mutandis Application

Article 237

A limited liability company may regulate the manner in which internal supervision of operation is conducted and organized, by mutatis mutandis application of the provisions on internal supervision over operation of the joint stock companies.

9. Dissolution of a Company

Method of Dissolution

Article 238

A company dissolves by striking off from the register of business entities, based on:

1) Performed procedure of liquidation or compulsory liquidation pursuant to this Act;

2) Performed bankruptcy procedure pursuant to the act governing bankruptcy;

3) Status changes resulting in dissolution of the company.

Dissolution of the Company at the Request of the Company Member

Article 239

The provisions of Article 469 of this Act governing dissolution of a joint stock company and other measures imposed by a court at the request of minority stockholders apply mutatis mutandis to the dissolution of the company and other measures at the request of a company member.

10. Company Bylaws and Documents

Duty of Storing Bylaws and Documents

Article 240

The company stores the following bylaws and documents:

1) Memorandum of association;

2) Decision on registration of the company's incorporation;

3) Company's bylaws;

4) Minutes from the sessions of the general meeting and resolutions of the general meeting;

5) Bylaw on incorporation of each branch or any other company's organizational unit;

6) Documents evidencing ownership and other property rights of the company;

7) Minutes from the sessions of the supervisory board, if the company has a two-tier management system;

8) Reports of the director and the supervisory board, if the company has a two-tier management system;

9) Records on addresses of the director and members of supervisory board;

10) Records on addresses of company members;

11) Contracts concluded by the company with the directors, supervisory board members, in case of a two-tier management system, and company members or persons affiliated to them within the meaning of this Act.

The company shall store the documents and bylaws from paragraph 1 of this Article at its seat or in some other place known and available to all company members.

The documents and bylaws from paragraph 1, items 1) to 7) and 11) of this Article are permanently stored by the company, while other documents and bylaws from paragraph 1 of this Article for at least five years, at the expiration of which they are stored pursuant to the regulations governing the archives.

Access to Company Bylaws and Documents

Article 241

The director shall make available the documents and bylaws from Article 240 of this Act, the company's financial statements and other documents regarding the company's business operations or execution of rights of company members to each company member, as well as to a former company member, for the period in which he was the member of the company, at his written request, for inspection and copying, at his own expense, during working hours.

Right to Information

Article 242

Each director shall promptly notify each company member on the important facts regarding the company's business or exercise of rights of company members.

Each company member shall promptly notify the director as soon as the information from paragraph 1 of this Article comes to his knowledge.

The persons from paragraphs 1 and 2 of this Article are liable to the company or company members for the damage which may arise due to failure to act pursuant to the provisions of para. 1 and 2 of this Article.

Each company member is entitled to be provided by the director, at his written request and at his expense and without delay, not later than within a term of eight days from the day of receipt of the request, with a copy of each resolution passed by the general meeting.

Denial of Right to Access the Company's Bylaws and Documents and Denial of Right to Information

Article 243

The director may deny the right from Art. 241 and 242 of this Act to a company member if:

1) There is a justified concern that this right could be used for the purposes that are contrary to the interests of the company, i.e. for the purpose that is not related to his membership in the company;

2) The exercise of such right might inflict considerable damage to the company or its affiliated company.

Court Ordered Access to Bylaws and Documents

Article 244

If the director fails to act pursuant to the request from Article 241 of this Act within a term of five days from the day of receipt of the request, the applicant is entitled to request that the competent court instructs the company in non-contentious proceeding to act according to his request.

Proceeding from paragraph 1 of this Article is urgent and the court shall pass a decision on the request within a term of eight days from the day of the receipt of the request.

Chapter IV
JOINT STOCK COMPANY

1. Basic Provisions

Concept and Liability

Article 245

A joint stock company is a company whose share capital is divided in stocks held by one or more stockholders who are not liable for the company's obligations, except in the case referred to in Article 18 of this Act.

A joint stock company is held liable for its obligations with all of its assets.

Articles of Association

Article 246

Articles of association of a joint stock company contain in particular:

1) Business name and seat of a company;

2) Predominant business activity of the company;

3) Particulars on the amounts of subscribed and paid share capital, and particulars on the number and total nominal value of authorized stocks, if they exist;

4) Essential elements of each type and class of issued stocks pursuant to the law governing the capital market, and in the case of stocks without nominal value also the amount of the part of the share capital for which they were issued, i.e. accounting value, including possible liabilities, restrictions and privileges attached to each class of stocks;

5) Types and classes of stocks;

6) Special conditions governing transfer of stocks, if any;

7) Procedure for convening the general meeting;

8) Determination of company bodies and their competences, the number of their members, closer regulation of the method of appointment and recall of these members, as well as the methods of decision-making in those bodies;

9) Other matters as prescribed by this or special law to be included in the articles of association of a joint stock company.

The company shall amend its articles of association at least once a year to harmonize the data from paragraph 1, items 3) and 4) of this Article, if those data were changed in the preceding year.

Adopting Articles of Association and their Amendments and Supplements

Article 247

The articles of association, and amendments and supplements thereof, are adopted by the general meeting by a simple majority of votes of all stockholders with voting rights, unless a larger majority is provided in the articles of association.

The first articles of association are adopted by the stockholders who are incorporating the company, and in addition to the elements from Article 246 may contain a provision on appointment of

directors, i.e. members of the supervisory board.

2. Stocks and Other Securities

General Rules

Article 248

The stocks issued by the company are issued in their dematerialized form and read in the name of a stockholder, and the provisions of those regulations governing the capital market are applied to the registration of the issue of stocks, their legal holders, transfer of stocks, transfer of rights deriving from stocks, limitation of rights deriving from stocks and entry of third party stock rights into Central Securities, Depositary and Clearing House (hereinafter: Central Registry).

A stock from paragraph 1 hereof is indivisible.

A resolution on the issue of stocks, i.e. other securities has to contain all their essential elements pursuant to the regulations governing the operation of the capital market.

Issuing of stocks and other securities by public offering is done pursuant to this Act and the law governing the capital market.

Single Records of Stockholders

Article 249

It is considered that a stockholder in relation to a joint stock company and third parties is a person who is entered in the Central Registry as a legal holder of a stock, and the day of entering in the Central Registry is the day of acquiring the stock.

Acting on request by a stockholder but not later than on the working day following the day of filling the request pursuant to the rules of procedure of the Central Registry, Central Registry shall issue a certificate of stocks legally held by him, with all data about the stocks that are kept on register by the Central Registry.

Regulations governing the operation of the capital market are applied to the issue of proof of ownership over stocks.

Types and Classes of Stocks

Article 250

A joint stock company may issue the following types of stocks: common and preferred stocks.

Within every type of stocks, the stocks carrying the same rights make one class of stocks.

All common stocks shall always make one class of stocks.

A company may issue stocks with or without par value.

If the company issues stocks with par value, all stocks of the same class shall have the same par value, and if it issues stock without par value, all company's stocks shall be without par value.

Common Stocks

Article 251

A common stock is a stock that entitles its holder to:

1) Participate and vote at a general meeting, so that one stock always gives right to one vote;

2) Payment of dividend;

3) Participate in distribution of the liquidation surplus or bankruptcy estate, pursuant to the law governing bankruptcy;

4) Pre-emption right to acquire common stocks and other financial instruments exchangeable for common stocks out of new issues;

5) Other rights pursuant to this Act and articles of association.

Common stocks may not be converted into preference stocks or other financial instruments.

Partly Paid-up Stocks

Article 252

Partly paid-up stocks, within the meaning of this Act, are the common stocks based on which the stockholder has not fully performed his obligation of payment or entering contribution to the company.

A stockholder exercises rights on the basis of partly paid-up stocks in proportion to the paid-up or entered contribution, unless the articles of association provide otherwise.

A stockholder holding partly paid-up stocks of a public joint stock company may not, prior to making full payment or contribution to the company in respect of those stocks:

1) Transfer or otherwise dispose of those stocks;

2) Exercise the voting right attached to those stocks.

Preferred Stocks

Article 253

A preferred stock is a stock that entitles its holder to one or more preferred rights, defined by the articles of association and resolution on issuing, such as:

1) Right to a dividend in a preset cash amount or percentage of its par value which is paid in priority to holders of common stocks;

2) Right to have the unpaid dividend from paragraph 1, item 1) of this Article accumulated and paid before dividends are paid to holders of common stocks (cumulative preferred stock);

3) Right to participate in a dividend belonging to holders of common stocks, in all cases of dividend payment to the holders of common stock or upon fulfilling of specific conditions (participative preferred stock);

4) Right of priority in receiving payments from the liquidation surplus or bankruptcy estate in relation to the holders of common stocks;

5) Right to convert such stocks into common stocks or other class of preferred stocks (convertible preferred stocks);

6) Right to sell these stocks to the joint stock company at a preset price or under other conditions.

Total par value of issued and authorized may preferred stocks not exceed 50% of the total company's share capital.

Preferred stockholder is entitled to participate in the work of the general meeting without a right to vote, unless otherwise provided by this Act.

Preferred stockholder is entitled to pre-emptive right to acquire stocks of the same class from new emissions.

Preferred stockholder enjoys the same rights as the common stockholder in terms of access to the bylaws and documents of the company under Article 465 and 466 of this Act.

Preferred stocks may only be issued for cash contributions.

Preferred Stocks with Right to be Bought Back by the Company

Article 254

A resolution of the general meeting on issuing preferred stocks may envisage that the company has the obligation and/or the right to buy them back under the terms set forth in such resolution if the issuing of such stocks and the terms and procedure of their buy-back are established by the articles of association.

A company may buy back the stocks from paragraph 1 of this Article under the following conditions:

1) That the stocks are paid up in full;

2) That the payment of price for stocks is made only from the reserves formed for such purpose;

3) That the condition from Article 282 paragraph 2, item 2) of this Act is met.

Voting Right of Preferred Stockholder

Article 255

Preferred stockholders are also entitled to one vote per stock within their class of stocks at any general meeting on the following issues:

1) Increase or decrease of the total number of authorized stocks of that class;

2) Change of any priority right carried by the stock of that class;

3) Determination of the right of holders of any other securities to carry out the exchange or conversion of their securities into the stocks of that class;

4) Split and merger of the stocks of that class or their exchange for stocks of some other class;

5) New issue of the same class of preferred stocks, or issue of new class of stocks carrying larger rights than are the rights carried by the stocks of that class, or change of rights carried by another class of stocks so that they carry equal or larger rights in relation to the rights carried by the stocks of that class;

6) Limitation or exclusion of the existing pre-emption right to subscribe stocks of that class;

7) Limitation or exclusion of the existing voting right of that class of the stocks if that right is provided for in the articles of association pursuant to this paragraph 2 of this Article.

The articles of association of a joint stock company may determine that the stockholders with preferred stocks that are convertible into common stocks are entitled to vote together with the common stockholders on all or on specific issues, when their number of votes equals the number of votes carried by common stocks into which they can be converted.

The articles of association of a joint stock company may determine that stockholders with preferred stocks have the right to vote together with holders of common stocks if the dividend that belongs to them according to a resolution of the general meeting has not been paid, until such dividend is paid, in proportion to the share of those preferred stocks in the company's share capital.

Co-ownership of Stocks

Article 256

A stock may have more than one owner (hereinafter: co-owners of stocks).

Co-ownership of stocks is acquired on the basis of:

1) Law (inheritance and similar);

2) Contract (gift, purchase/sale of indivisible part of a stock, and similar);

3) Status changes in a company.

Co-owners of a stock are considered as one stockholder in relations with the company and are jointly and severally liable to the company for the obligations they have on the basis of the stock.

Co-owners of a stock exercise voting right and are entitled to access to the bylaws and documents of the company under Article 464 of this Act only through a joint representative agreed upon by all co-owners.

The signatures of co-owners on the agreement from paragraph 4 of this Article are certified in keeping with the act governing verification of signatures.

Co-owners of a stock notify the company on appointment of the joint representative and inscribe him in the Central Registry.

Legal actions taken towards the joint representative produce the same effect as if they were been taken towards all co-owners.

Up to the day of inscription of joint representative in the Central Registry:

1) Legal actions taken against one co-owner produce the same effect as if they were taken against all co-owners;

2) A stock that is co-owned does not carry a voting right and shall not be taken into account for a quorum for holding of the session of the general meeting.

Splitting and Merging Stocks

Article 257

A joint stock company may, by the resolution of its general meeting:

1) Split each stock of one class to two or more stocks of the same class with simultaneous decrease of their par values so that the company's share capital remains unchanged;

2) Merge two or more stocks of one class into one stock of that class with simultaneous increase of its par value so that the company's share capital remains unchanged.

The company shall, in case of splitting or merger of stocks, at the same time amend its articles of association.

If, as the result of merger or splitting of stocks, some stockholders would be left with a part of a stock, those stockholders are entitled to request from the company in writing, within a term of 30 days from the day of passing the resolution from paragraph 1 of this Article, to purchase the missing part of the stock in order to acquire one whole stock or to be paid by the company for the part of the stock they were left with.

If a stockholder has requested to purchase the missing part of the stock in order to acquire one whole stock, he shall pay to the company, within the term under paragraph 3 of this Article, the market value of the missing part of the stock.

If a shareholder requested to be paid by the company for the part of the stock he had been left with, the company shall pay for that part of the stock according to its market value, within a further period of 30 days from the day of receipt of that request.

The market value from para. 4 and 5 is established pursuant to the provisions of Article 259, paragraph 1 and paragraph 3, item 1) of this Act.

If, in case from paragraph 3 of this Article, the share capital is increased, i.e. the share capital is reduced, where such increase or reduction does not exceed 1% of the share capital, the company is not under the obligation to apply the provisions of this Act on increase or reduction of the share capital, except for the provisions on registration of such changes in accordance with the registration act.

If a company issued financial instruments that are convertible to common stocks, in the case from paragraph 1 of this Article it shall pass a resolution at the same time, i.e. take other action which will secure that the rights of holders of those financial instruments remain unchanged.

If the company fails to act pursuant to paragraph 8 of this Article, each holder of a financial instrument may file an action to the competent court requesting it to rescind the resolution from

paragraph 1 of this Article.

The action from paragraph 9 of this Article may be filed within a term of 30 days from the day of passing of the resolution from paragraph 1 of this Article.

The provisions of this Article also apply mutatis mutandis to the stocks without par value.

Par Value of Stocks

Article 258

Par value of a stock is the value determined as such by a resolution on issue of stocks.

All stocks of the same class have the same par value.

Par value of one stock may not be lower than RSD 100.00.

Par value of preferred stocks of a company may not be lower than the par value of common stocks of that company.

Determination of Market Value of Stocks

Article 259

Market value of stocks of a public joint stock company is determined as a weighted average price achieved in a regulated market, i.e. multilateral trading facility, in terms of the law governing capital market, within the period of six months preceding the day of passing the resolution determining the market value of stocks, provided that in the same period the achieved volume of circulation of stocks of that class in the capital market represented at least 0.5% of the total number of issued stocks of that class, and that in the same period trading lasted for more than 1/3 of trading days on monthly basis.

As an exception, the market value of stocks of a public joint stock company may be determined by appraisal in accordance with Article 51 of this Act, provided that the market price so established is accepted by the general meeting based on a reasoned proposal of the board of directors, i.e. the supervisory board if the company has a two-tier management system, which must also indicate the value of those stocks determined in accordance with paragraph 1 of this Article.

Market value of stocks of a public joint stock company is determined by assessment in keeping with Article 51 of this Act if one of the following conditions is met:

1) If the trading volume under paragraph 1 of this Article is not achieved;

2) In case of issuance of stocks of a new class.

The market value of stocks determined in accordance with paragraph 1 of this Article, i.e. the assessment of value under paragraph 2 of this Article, are valid for three months starting from the day the market value was established, i.e. from the day the assessment was executed, and in both cases must be valid on the day the corresponding resolution of the general meeting is made, if the market value is determined for the purpose of adopting such resolution.

Market value of the stocks of a company that is not a public joint stock company is determined pursuant to Article 51 of this Act.

Issue Price of Stocks

Article 260

Issue price is the value at which stocks are issued and is determined by a resolution on issuing stocks.

The resolution from paragraph 1 of this Article is passed by the general meeting, except in the case of issue of authorized stocks in accordance with Article 313 of this Act, when such decision is passed by the board of directors, i.e. the supervisory board, if the company has a two-tier

management system.

If the resolution from paragraph 1 of this Article is passed by the general meeting, such resolution may determine the range of the issue price and authorize the board of directors, i.e. the supervisory board, if the company has a two-tier management system, to determine the issue price within that range by a separate resolution.

The issue price may not be lower than the market value determined pursuant to Article 259 of this Act, except in case when stocks are issued in a public offer procedure in terms of the law governing the capital market whereby a joint stock company becomes a public joint stock company.

The issue price may not be lower than the par value of the stock, i.e. the book value for the stocks without par value.

When the issue price at which the stocks are issued is higher than their par value or book value, the difference between the two values represents an issue premium.

A company may, by a resolution to issue stocks, determine a discount on the issue price, where the price with the issue discount may not be lower than the par value of the stock, i.e. the book value in case of stocks without par value:

1) In case of a public offer, to the investment company providing sponsorship services in the procedure of that public offer of stocks with an obligation to buy back in terms of the law governing capital market;

2) In case of an offer that is not public, to existing stockholders in other to effect their pre- emptive subscription right from Article 277 of this Act, unless the articles of association exclude the possibility for this right to be effected under preferential conditions, where such discount may not exceed 10% of the issue price.

Transfer of Stocks and Rights Attached to Stocks

Article 261

Stocks are freely transferable, unless the company's articles of association restrict the transfer of stocks with the pre-emptive purchase right of other stockholders, or with prior approval of the company.

Transfer of stocks in companies that are not public joint stock companies is done by means of an agreement concluded in writing and certified in accordance with the law governing the verification of signatures.

Transfer of stocks in public joint stock companies is done in accordance with the law governing capital market.

The rights granted to a stockholder by stocks of a given class (hereinafter: rights attached to stocks), except for the voting right, may be transferred freely.

Memorandum of association or resolution on issue of stock may restrict or prohibit the transfer of rights attached to stocks.

Transfer of stocks and rights attached to stocks of a public joint stock company may not be restricted.

The provisions of this Act governing restrictions on the transfer of shares in a limited liability company apply mutatis mutandis to the restrictions on the transfer of stocks from paragraph 1 of this Article.

Convertible Bonds and Warrants

Article 262

Convertible bonds are bonds that entitle their holder, under the conditions set forth by the decision on issuance, to convert them into common stocks of the company.

Warrants, in terms of this Act, are securities that entitle their holder to acquire a certain number of

stocks of a specific type and class at a determined price, on a specific day or within a specific period.

Convertible bonds and warrants that grant right to acquire common stocks may not be issued if the number common stocks to which they grant right, together with the total number of common stocks to which already issued convertible bonds and warrants grant right, exceeds the total number of authorized common stocks.

Notwithstanding paragraph 3 of this Article, convertible bonds and warrants may be issued even if the number of common stocks to which they grant right, together with the total number of common stocks to which already issued convertible bonds and warrants grant right, exceeds the total number of authorized common stocks, if the general meeting has passed a resolution on conditional increase of share capital reflecting that difference.

The provisions of para. 3 and 4 of this Article apply mutatis mutandis to the warrants that grant right to acquire preferred stocks.

A resolution on issuance of convertible bonds and warrants is passed by the general meeting.

Convertible bonds and warrants may be subscribed only by means of a cash contribution.

Stockholders holding common stocks have pre-emptive right to subscribe convertible bonds.

Stockholders holding the class of stock the acquisition of which these warrants entitle, have a pre-emptive right to subscribe warrants.

The provisions of Article 277 of this Act governing realization of pre-emptive right for subscription of stocks apply mutatis mutandis to the realization of pre-emptive right for subscription of convertible bonds and warrants.

Issue Price of Convertible Bonds and Warrants

Article 263

Issue price of convertible bonds and warrants is a value at which convertible bonds and warrants are issued and is determined by a resolution on their issuance.

The resolution referred to in paragraph 1 of this Article is passed by the general meeting, and this resolution may determine the range of issue price and authorize the board of directors, i.e. the supervisory board, if the company has a two-tier management system, to determine the issue price within that range by a separate resolution.

The issue price of convertible bonds may not be lower than:

1) Par value of stocks for which they can be exchanged, i.e. in the case of stocks without par value, their book value;

2) Market value of stocks for which they can be exchanged, which is determined in keeping with Article 259 of this Act.

3. Incorporation of a Company

Memorandum of Association and the First Articles of Association of a Company

Article 264

Stockholders incorporating a company sign the company's memorandum of association.

Signatures on the memorandum of association are certified pursuant to the law governing certification of signatures.

At the occasion of incorporation, the stockholders incorporating a company also sign the first articles of association of the company.

Contents of Memorandum of Association

Article 265

Memorandum of association contains:

1) Data on stockholders who are founding the company, in accordance with Article 9a of this Act, as well as data on the domicile of stockholders;

2) Business name and seat of the company;

3) Predominant activity of the company;

4) Total amount of cash contribution, i.e. pecuniary value and description of the in kind contribution of each stockholder incorporating the company, deadline for payment, i.e. entry of contribution;

5) Particulars about the stocks subscribed by each stockholder incorporating the company, in particular: number of stocks, their type and class, their par value, i.e. regarding stocks without par value, part of the share capital for which they were issued.

6) (Deleted)

Payment, i.e. Entry of Contributions upon Company Incorporation

Article 266

The subscribed stocks that are paid in cash in accordance with the memorandum of association are paid up prior to the registration of the company's incorporation in favor of a temporary account opened with a merchant bank in the Republic of Serbia.

Prior to the registration of the company, the stockholders incorporating the company shall pay, i.e. enter the contributions that represent at least 25% of the share capital, where the paid amount of pecuniary part of share capital shall not be lower than the amount of the minimum share capital from Article 293 of this Act.

Incorporating Expenses and Special Benefits

Article 267

The first articles of association may provide that the company bears certain actual expenses incurred in incorporating the company, or that the stockholders incorporating the company are entitled to restitution of those expenses by the company, in which case the highest amount of those expenses is determined.

The company shall not redeem any amount of expenses from paragraph 1 of this Article if the restitution of those expenses is not stipulated in the first articles of association.

If, during incorporation of the company, special benefits are granted to the stockholders who are incorporating the company, or to third parties who participated in the incorporation of the company or in obtaining necessary approvals for doing business, the first articles of association indicate the type of these benefits, the period for which they are granted and the persons to which they are granted.

Special benefits may be terminated by amendments of the articles of association.

Contracts with Stockholders after Registration of a Company

Article 268

If a public joint stock company concludes a contract with stockholders who incorporated the company within a period of two years from the day of registration of the company's incorporation based on which the company acquires certain things or rights at a price that is equal or higher than

10% of the share capital:

1) Value of these things and rights has to be appraised pursuant to Art. 51 to 58 of this Act; and

2) That contract is subject to approval by the general meeting by a three-quarters majority of votes of the present stockholders, unless a larger majority is stipulated in the articles of association.

The contract from paragraph 1 of this Article may not become effective prior to obtaining approval from the paragraph 1, item 2) of this Article, and the legal actions taken by the company in performance of that contract do not have legal effect until that approval is obtained.

The contract from paragraph 1 shall be concluded in writing.

The provisions of this Article do not apply to:

1) Contracts concluded within the course of ordinary operation of the company;

2) Acquisition of things or rights within the scope of administrative or court proceedings;

3) Transactions on the capital market within the meaning of the law governing the capital market.

4. Relationship between the Company and Stockholders

Equal Treatment of Stockholders

Article 269

All stockholders are treated equally under the same circumstances.

Profit Distribution

Article 270

Upon approval of financial statements for a business year, the profit for that year is distributed in the following sequence:

1) For covering of losses brought forward from previous years;

2) For reserves, if they are prescribed by a separate act (statutory reserves).

If, upon distribution of profits for purposes referred to in paragraph 1 of this Article a part of the profit remains undistributed, the general meeting may distribute it for the following purposes:

1) For reserves, if the company established them by articles of association (statutory reserves);

2) For dividend, pursuant to this Act.

Right to a Dividend

Article 271

Payment of dividends to stockholders may be approved by a resolution on profit distribution passed at an ordinary session of the general meeting whereby the amount of the dividend and the time limit for dividend payment are established (resolution on payment of dividend) which may not be longer than 6 months from the day of passing of the resolution on payment of dividend.

Upon passing the resolution on payment of dividend, a stockholder who is entitled to dividend payment becomes the company's creditor for the amount of that dividend.

The company shall inform the stockholders to whom the dividend is paid about the resolution on payment of dividend within a term 15 days from the day that resolution is passed, by mutatis mutandis application of provisions of this Act on notification of stockholders about the session of the general meeting.

Dividend on stocks is paid to stockholders pursuant to the rights attached to the type and class of

the stock they hold on the day of the dividend, in proportion to the number of stocks they hold in the total number of stocks of that class.

An agreement or a company bylaw by which the company grants special benefits to some stockholders within the same class of stocks in respect to payment of dividend is null and void.

Method of Payment of Dividend

Article 272

A dividend may be paid in cash or in company stocks, pursuant to the resolution on payment of dividend.

If dividends are paid in the form of stocks of the company:

1) Such payment shall be approved by the stockholders of the class of stocks to which such payment is made under the rules on voting of stockholders within a class of stocks; and

2) Payment to each stockholder of a class of stocks who is entitled to dividend is made in stocks of that class.

As an exception, a dividend may be paid in the form of stocks of some other type or class only if any such payment is approved by a three-quarter majority of the present stockholders holding the stocks of the class of stock to which such payment is made and by the same majority of votes of the stockholders of the class of stock in whose stocks the dividend is paid.

The company shall inform the stockholders to whom the dividend is paid on such payment immediately before or after the executed payment, by mutatis mutandis application of the provisions of this Act on notifying stockholders of a general meeting.

Temporary Dividend (Interim Dividend)

Article 273

Unless otherwise provided for in the articles of association, a company may pay a temporary dividend (interim dividend) at any time between ordinary sessions of the general meeting, if:

1) The reports on the company's business and its financial results produced for that purpose clearly indicate that the company has achieved profit in the period for which the interim dividend is paid and that available cash assets of the company are sufficient for payment of that interim dividend;

2) The amount of interim dividend that is being paid is not higher than the total profit made after the end of the previous business year for which the financial reports were made, increased by retained earnings and the amounts of reserves that may be used for those purposes, and decreased by determined losses and the amount that has to be contributed to reserves, pursuant to law or articles of association.

Payments of interim dividend to stockholders may also be authorized by a decision of the board of directors, i.e. supervisory board, if the company has a two-tier management system, if so provided in the articles of association or resolution of the general meeting.

If payments of interim dividend are authorized by the decision of the board of directors, i.e. supervisory board, if the company has a two-tier management system, the interim dividend may be paid in cash only.

Dividend Day

Article 274

The articles of association may determine a day or method of fixing a day, as of which the list is made of stockholders who are entitled to a dividend, i.e. entitled to a payment on account of reduction of capital or on account of liquidation surplus (dividend day).

If the articles of association do not determine the dividend day, that day is determined by a resolution on payment of dividend, pursuant to the method for its determination, if provided so in the articles of association.

In case from paragraph 2 of this Article, a public joint stock company may not fix as its dividend day a day that precedes the stockholders' day fixed in accordance with Article 331 of this Act.

If a dividend day for the payment of interim dividend is not determined in the articles of association, such day is fixed by a resolution under Article 273 of this Act whereby its payment is approved.

A stockholder transferring his stocks based on which he acquired the right to a dividend after the dividend day, but prior to the payment of dividend, retains that right.

Limitations on Payments to Stockholders

Article 275

A company may not make payments to stockholders if, according to the latest financial statements, the company's net assets are lower or would become lower due to such payment, than the amount of paid up share capital increased by the reserves that the company has to maintain pursuant to the law or articles of association, if any such reserves are in existence, except in the case of reduction of share capital.

Total amount of the payments made to stockholders for a business year may not be higher than the profit at the end of that business year, increased by retained earnings from previous years and the amounts of reserves provided for distribution to stockholders, and decreased for the losses brought forward from previous periods and the amounts of reserves that the company has to maintain pursuant to the law or articles of association, if any such reserves are in existence.

Notwithstanding paragraphs 1 and 2 of this Article, a company may always pay its stockholder who is a natural person on the grounds of an employment agreement.

The stockholders who received payments contrary to the provisions of this Article shall make a return of the same amount to the company, in case they knew or must have known that payment was made contrary to the provisions of this Article.

The company's claim from paragraph 4 of this Article reaches the statute of limitations within five years from the day when the payment was made.

Each stockholder who is meeting the conditions from Article 79 of this Act may file a derivative action due to a breach of the provisions of paragraph 5 of this Article in his own name and for the account of the company.

Article 276

(Deleted)

Pre-emptive Subscription Right

Article 277

A stockholder is entitled to a pre-emption right to subscribe the stocks from a new emission on the day of adoption of the resolution on issue of stocks, in proportion to the number of the fully paid stocks of that class he holds on the day of adoption of the resolution on the issue of stocks, in relation to the total number of stocks of that class.

A stockholder is also entitled to the right from paragraph 1 of this Article in case of issue of securities that grant right to acquisition of the type and class of stocks that a stockholder already holds.

The articles of association may determine that a stockholder is also entitled to a pre-emptive subscription right in respect to the issue of stocks of the types and classes other than those he holds, but only upon execution of that right by the stockholders who hold the stocks of the type and

class that are being issued.

The procedure of exercising pre-emption right is determined by the articles of association, provided that a company shall:

1) Notify each stockholder who has a pre-emptive subscription right about the decision on issue of stocks, or other securities;

2) Secure that the term for exercise of this right is not shorter than 30 days from the day of sending the notification on the decision to issue stocks, i.e. other securities.

The notification from paragraph 4, item 1) of this Article is forwarded by mutatis mutandis application of the provisions of Article 335 of this Act on the sending of invitations for a shareholders' meeting, and includes in particular: the number of stocks that are issued, issue price, time limit and method of exercise of pre-emptive subscription right.

The provisions of this Article do not apply to the issue of new stocks when they are issued in the procedure of a status change of a company.

Exclusion of the Pre-emptive Subscription Right

Article 278

The pre-emptive right to subscribe from Article 277 of this Act may be limited or excluded only in case of an offer in regards to which a prospectus publishing is not mandatory in terms of the law governing capital markets, in particular by a resolution of the general meeting that is passed on a written proposal of the board of directors, i.e. supervisory board, if the company has a two-tier management system, which shall contain:

1) Reasons for the limitation, i.e. exclusion of the pre-emptive right to subscribe; and

2) Detailed explanation of the proposed issue price.

The resolution from paragraph 1 of this Article is passed by a three-quarters majority of the votes of present stockholders of that class and is registered in keeping with the registration act.

If the issue price is determined by appraisal in accordance with Article 259, paragraph 2 hereof, the stockholder who finds that appraisal to be inadequate is entitled to challenge the resolution from paragraph 1 of this Article on those basis, in accordance with Article 376 of this Act.

Decision from paragraph 1 of this Article may not be implemented before the expiration of the term for challenging that resolution in accordance with Article 376 of this Act.

If a board of directors, i.e. supervisory board, if the company has a two-tier management system, is authorized to issue authorized stocks, the pre-emptive subscription right may only be limited or excluded on the basis of a resolution of the general meeting that was passed by a three-quarters majority of votes of present stockholders of that class.

Provisions of this Article do not apply when new stocks are issued in a procedure of the company's status change.

Financial Support of the Company in Acquiring Stocks

Article 279

Provisions of Article 154 of this Act on the financial support of a limited liability company for acquiring shares in the company apply mutatis mutandis to the financial support of a joint stock company for acquiring stocks in the company.

Withdrawal and Cancellation of Stocks due to Failure to Pay or Enter the Contribution

Article 280

In the case referred to in Article 48, paragraph 7 of this Act, the decision on withdrawal and cancellation of stocks is adopted by the general meeting by a three-fourths majority of the votes of the present stockholders, and in the case referred to in Article 48, paragraph 8 of this Act, the board of directors is obliged to pass this decision without delay, i.e. the supervisory board if the management of the company is two-tier.

The decision referred to in paragraph 1 of this Article may be made only in respect of all stockholders who have failed to fulfill their obligation under Article 46, paragraph 1 of this Act, even in the subsequent time limit set forth in Article 48, paragraph 2 of this Act.

5. Own stocks

Ban on Subscription of Company's Stocks

Article 281

A company may not subscribe the stocks it issues.

A company's controlled company may not subscribe its stocks, nor may they be subscribed by a third party acting in his name and on behalf of the controlled company.

If a third party subscribed the company stocks in its name for the account of the company, it shall be considered that such person subscribed the stocks for its own account.

The stockholders incorporating a company, and in case of increase of the company's share capital the members of the board of directors, i.e. executive and supervisory board, if the company has a two-tier management system, are liable for the payment i.e. entry of contribution for the stocks subscribed in contravention to paragraphs 1 and 2 of this Article.

An agreement entered into between the company and persons under paragraph 4 of this Article on release from liability or on indemnity is null and void.

The parties from paragraph 4 of this Article may be relieved from liability if they prove that they did not know nor could have known that there was a breach of provisions of paras. 1 and 2 of this Article.

Own Stocks and Terms of Acquisition

Article 282

Own stocks within the meaning of this Act are the stocks that the company acquired from its stockholders.

The company may acquire own stocks directly or through a third party that acquires the stocks in his name but for the account of the company under the following conditions:

1) That the general meeting has adopted a resolution granting approval for the acquisition of own stocks;

2) That, as a result of acquisition of own stocks, net assets of the company shall not be lower than the paid up share capital increased by the reserves that the company has to maintain pursuant to the law and articles of association, if such reserves exist, other than the reserves earmarked by the articles of association for acquisition of own stocks;

3) That the stocks that are being acquired by the company are fully paid;

4) In case of a public joint stock company, that total par value, i.e. accounting value for the stocks without par value of so acquired stocks, including previously acquired own stocks, does not exceed

10% of the company's share capital.

The resolution from paragraph 2, item 1) of this Article contains the conditions for acquiring and disposal of these stocks, and in particular:

1) Maximum number of own stocks that are acquired;

2) Term during which the company may acquire own stocks, which may not be longer than two years;

3) Minimum and maximum price for acquisition of own stocks, it own stocks are acquired against payment;

4) Method of disposal and the price at which acquired own stocks are sold, i.e. the method of establishing that price, if own stocks are sold against payment.

Exceptionally, the company may acquire own stocks even without the resolution from paragraph 2, item 1) of this Article, and based on the decision of the board of directors, i.e. the supervisory board, if the company has a two-tier management system:

1) In case of a public joint stock company, if that is necessary to prevent greater and direct damage to the company, in which case the board of directors, i.e. supervisory board if the company has a two-tier management system, shall notify stockholders at the first next session of the general meeting about the reasons for and methods of acquiring own stocks, their number and total par value, i.e. total book value in the case of stocks without par value, their share in the company's share capital, as well as about the total amount that the company has paid for them;

2) If own stocks are acquired for the purpose of distribution to employees of the company or of an affiliated company, or as a reward to the members of the board of directors, i.e. executive board and supervisory board, if the company has a two-tier management system, but up to maximum 3% of any class of stocks during a business year, provided that such option is provided by the articles of association and that reserves were set aside for this purpose.

At each acquisition of own shares, the board of directors, i.e. the supervisory board, if the company has a two-tier management system, shall check whether the conditions from paragraph 2, items 2) to 4) of this Article have been met, and to produce a written report thereon.

Acquisition of Own Stocks of Controlling Company

Article 283

If company stocks are acquired by its controlled company, and if those stocks are acquired by a third party acting in its name, but for the account of the controlled company, it is considered that those stocks were acquired by a controlling company, in which case such stocks are governed by the provisions of this Act regulating own stocks.

If a controlled company has acquired stocks of the controlling company prior to control being established, once the control is established these stocks are not considered to be own stocks within the meaning of this Act, but they cease to grant voting right and their par value, i.e. book value for the stocks without par value, is added to the amount of the share capital and reserves when assessing fulfillment of conditions from Article 282 paragraph 2, item 2) of this Act.

Exemptions from Requirements for Acquisition of Own Stocks

Article 284

The provisions of Article 282, paras. 2 to 5 of this Act do not apply if a company acquires own stocks:

1) As a consequence of exercising rights of dissenting stockholders;

2) (Deleted)

3) Without consideration;

4) As a consequence of a status change;

5) Based on a court decision;

6) With the view of conducting the procedure of reduction of the company's capital.

Process of Acquiring Own Stocks

Article 285

The board of directors, i.e. the executive board, if the company has a two-tier management system, shall, acting pursuant to the resolution on acquisition of own stocks from Article 282, paragraph 2, item 1) of this Act and Article 282, paragraph 4 of this Act, make an offer for buy-back to all stockholders of that class of stocks.

The offer from paragraph 1 of this Article contains:

1) Type, class and number of stocks that the company wants to acquire;

2) Price the company is ready to pay or how it is determined;

3) Method and deadline for payment of the price;

4) Procedure and deadline for the stockholders' response to the company's offer that many not be shorter than 15 days.

The sending of offer from paragraph 1 of this Article is regulated by mutatis mutandis application of the provisions of Article 335 of this Act on sending invitations for a shareholders' meeting.

If a total number of stocks offered for sale to the company by stockholders is higher than the number of stocks from paragraph 2, item 1) of this Article, the company shall purchase from each stockholder a proportionate number of stocks that the stockholder offers to sell, while when calculating this proportionate number of stocks only whole number of stocks will be taken into account.

Notwithstanding paragraph 4 of this Article, the board of directors, i.e. supervisory board if the company has a two-tier management system, may decide that the company acquires an even higher number of stocks, but not higher than the number of stocks indicated in the decision from Article 282, paragraph 2, item 1) of this Act, and if the number of the stocks acquired by the company is lower than the total number of the stocks offered for sale by the stockholders, the company shall adhere to the principle of proportionality as referred to in paragraph 4 of this Article.

The provisions of this Article do not apply when own stocks are acquired in cases under Article 282, paragraph 4, item 1) and Article 284, items 1) to 5) of this Act.

Notwithstanding paragraph 1 of this Article, a public joint stock company may acquire its own shares even without submitting an offer on the basis of a program to repurchase its own shares in accordance with the regulations governing the capital market.

Status of Own Stocks

Article 286

Own stocks do not confer right to vote.

Own stocks do not confer right to dividend or other benefits, nor may they be taken as a basis for payments to stockholders, except in the case of reduction of capital.

Obligation to Sell Own Stocks

Article 287**

If a company has acquired own stocks in contravention of Articles 282 and 284 of this Act, it shall sell them or cancel them within one year from the day of acquisition.

The company may dispose of own stocks, acquired pursuant to Article 282, paragraph 4, item 1) of

this Act, in keeping with the regulations governing the capital market.

The company shall distribute the own stocks, acquired pursuant to Article 282 paragraph 4, item 2) of this Act, to the persons determined in the resolution on acquiring within one year from the day of acquisition.

If a company has acquired own stocks pursuant to Article 282 and Article 284, items 1) to 5) of this Act whose par value, i.e. book value regarding stocks without par value, is higher than 10% of the share capital, it shall sell them within a term of three years from the day of acquisition, so that the total value of so acquired own stocks of the company shall not exceed 10% of the share capital.

Exceptionally, in the case of a joint stock company that is not public in terms of the law governing the capital market, the total value of acquired own stocks of the company, which the company may retain after the expiry of the term referred to in paragraph 4 of this Article, shall not exceed 20% of the share capital.

If a company fails to distribute, dispose of, i.e. cancel own stocks within the deadlines under paras. 1, 3 and 4 of this Article, the board of directors, i.e. supervisory board if the company has a two-tier management system, shall cancel them, without a special resolution of the general meeting, immediately after the expiration of the deadline, and on that basis reduction of the company's share capital.

Method and Procedure of Selling Own Stocks

Article 288

Board of directors, i.e. supervisory board if the company has a two-tier management system, passes the decision on selling own stocks, pursuant to the selling terms determined in the resolution referred to in Article 282, paragraph 2, item 1) of this Act.

In the process of selling of own stocks the persons who are company stockholders on the day the decision from paragraph 1 of this Article was adopted, have the pre-emptive right to purchase.

If, upon fulfillment of obligation from paragraph 1 of this Article a certain number of own stocks is left over, the company may sell them to third parties or cancel them in line with this Act.

Exceptionally, in the case of a joint stock company that is not public, the pre-emptive subscription right may be limited or cancelled only by a resolution of the general meeting that has been passed by a three-quarter majority of votes of the present stockholders of that class.

The price at which the company may dispose of own stocks is determined by mutatis mutandis application of Article 260 of this Act.

The provisions of Art. 277 and 278 of this Act apply mutatis mutandis to the exercise, limitation or canceling of the pre-emptive purchase right referred to in this Article.

Reporting about Own Stocks

Article 289

A company that, during the business year, has acquired or sold own stocks shall disclose in its annual financial statements for the respective business year:

1) Reasons for acquisition;

2) Type, class, number and par value, i.e. book value for the stocks without par value, of own stocks acquired or sold during that year, as well as their share in the share capital;

3) Price at which those stocks were acquired i.e. sold;

4) Type, class, total number and par value, i.e. book value for the stocks without par value, of own stocks of the company at the end of that business year, as well as their share in the company's share capital.

Own Stocks of a Public Joint Stock Company

Article 290

The provisions of Art. 281 to 289 of this Act are applied also to a public joint stock company, unless otherwise stipulated by the law governing the capital market.

Pledging Company Stocks

Article 291

The company may not take as pledge the stocks it has issued, directly or through a third party who takes those stocks as pledge in his name and for the account of the company.

Acquisition of Own Convertible Bonds and Warrants

Article 292

The provisions of Article 282 of this Act apply accordingly to the acquisition of convertible bonds and warrants.

If the company acquires its convertible bonds or warrants, the board of directors, i.e. supervisory board if the company has a two-tier management system, shall cancel them immediately upon acquisition, without a special resolution of the general meeting.

When convertible bonds and warrants are cancelled in accordance with paragraph 2 of this Article, the conditionally increased company share capital is reduced, while the procedure for reduction of the share capital is not carried out.

Reducing of conditionally increased share capital is registered in accordance with the law on registration.

6. Capital

6.1. Minimum Share Capital

Article 293

A joint stock company shall have a minimum share capital amounting to 3,000,000.00 dinars, unless a special act prescribes a higher amount.

6.2. Increase of Share Capital

Decision-Making

Article 294

A decision on the issuance of stocks for the purpose of increasing the company's share capital is passed by the general meeting, except in case of authorized capital, when such a decision may be rendered by the board of directors, i.e. supervisory board, if the company has a two-tier management system.

The decision referred to in paragraph 1 of this Article shall be registered in compliance with the registration act within a term of 6 months as of the day of adoption.

The decision referred to in paragraph 1 of this Article that is not registered in compliance with paragraph 2 of this Article is null and void.

The subscription of stocks on the basis of the decision referred to in paragraph 1 of this Article may not commence before its registration as prescribed in paragraph 2 of this Article.

The decision referred to in paragraph 1 of this Article may be adopted only after the full payment, i.e. entry of the contributions for the previously issued and subscribed stocks.

The restriction stipulated in paragraph 5 of this Article does not apply if the resolution to issue stocks is adopted on the basis of:

1) The increase of share capital as a result of a status change;

2) The increase of share capital by non-pecuniary contributions,if the non-pecuniary contribution is entered in whole immediately.

Methods of Increase

Article 295

The share capital of a company may be increased:

1) Through new contributions;

2) Conditionally, in compliance with Article 301 of this Act (conditional increase of capital);

3) From undistributed profit and company reserves available for those purposes (increase from the company's net assets);

4) As a result of status change.

It is considered that the increase of share capital with new contributions referred to in paragraph 1, item 1) of this Article is also the conversion of debt into share capital.

In a public joint stock company an increase of share capital may not be carried out by a conversion of debt into share capital.

Provisions on increase of share capital by new contributions from Articles 296 to 300 of this Act also apply to the issuing of stocks by a public offer unless otherwise regulated by a law governing capital market.

6.2.1. Increase of Share Capital through New Contributions

Content of the Decision

Article 296

The decision on the increase of share capital by way of new contributions contains, in particular:

1) Amount of increase of share capital;

2) Method of increase of share capital, as well as the success threshold of the emission of stocks;

3) Decision implementation deadlines;

4) Issue price determined in compliance with Article 260 of this Act;

5) Important elements of stocks that are issued, as stipulated in Article 248 of this Act, or the criteria on the basis of which such elements shall be determined.

6) Indication of a bank where stocks are being paid.

The success threshold referred to in paragraph 1, item 2) of this Article represents a ratio between the number of subscribed stocks and the number of stocks whose issuance is determined by the decision.

If the share capital is increased by in kind contributions, the decision from paragraph 1 of this Article also contains the following:

1) Object or right that the company acquires and the appraisal of its value;

2) Name and other particulars referred to in Article 265 of this Act about the person who enters the in kind contribution;

3) Type, class, number and par value of stocks, i.e. book value of stocks in case of stocks without par value, which are issued on that basis.

The appraisal of value referred to in paragraph 3, item 1) of this Article is made in compliance with Article 51 of this Act.

If the decision on the increase of share capital by way of non-pecuniary contributions does not contain the data from paragraph 3 of this Article the legal activities undertaken for the purposes of entering the non-pecuniary contribution into the company do not produce legal effect towards the company.

Subscribing Stocks on the Basis of New Contributions

Article 297

A company that issues stocks in the procedure for increasing the share capital by new contributions shall create a subscription form that contains the following:

1) Company details;

2) Date of the decision on issuing stocks;

3) Total amount of share capital increase;

4) Type, class and number of stocks that are issued;

5) Rights, restrictions and other significant elements of stocks that are issued;

6) Stock issue price and issuance success threshold;

7) Method and deadlines for payment, i.e. entering of contributions, and additional obligations, if defined by the decision on issuance;

8) Particulars of the in kind contribution referred to in Article 296, paragraph 3 of this Act, if capital increase is carried out by way of in kind contributions;

9) Date when the obligation of the person subscribing the stocks, assumed under the subscription form, ceases in case of unsuccessful issue;

10) Details of the person who subscribes stocks as referred to in Article 265, paragraph 1 item 1) of this Act;

11) Details of the type, class and number of stocks that are subscribed.

The company shall, in the decision referred to in Article 296 of this Act, determine the manner in which the subscription form with data from paragraph 2, items 1) to 9) of this Article shall be made available to interested persons.

A person subscribes stocks by entering the data listed in paragraph 1, items 10) and 11) of this Article into the subscription form and by submitting the signed subscription form to the company or to the person authorized by the company to carry out the procedure of subscription of stocks.

The company may also prescribe, in the decision referred to in Article 296 of this Act, the method of identification of persons who submit the subscription form to the company.

Payment of Stocks on the Basis of New Contributions and Entry of In Kind Contributions

Article 298

Subscribed stocks are paid in compliance with a decision on their issuing, while immediately upon the expiry of the required subscription period, the amount paid-in may not be lower than 25% of their par value, i.e. book value in case of stocks without par value; the total amount of the issuance premium, is also paid at the same time, if it exists.

The payment of the remaining amount of subscribed stocks shall be executed within a term of five years as of the day of registration of the decision on the increase of share capital, i.e. within a term of two years in case of a public joint stock company, unless a shorter time limit is envisaged by the decision on their issuance.

Notwithstanding paras. 1 and 2 of this Article, in case of a public joint stock company, payment of stocks in case of increase of capital by means of a public offerwith the publication of the prospectus is executed immediately after the expiry of the time limit for subscribing stocks.

If the increase of share capital is carried out by way of in kind contributions, they shall be entered into the company in full, within a term of five years as of the day of registration of the decision on the increase of share capital, in accordance with the registration act, i.e. within a term of two years if the company is public, unless a shorter time limit is envisaged in the resolution on their issuance.

If the increase of capital failed, but a part of the contribution has already been paid up, i.e. entered, the company shall return the paid-up, i.e. entered contribution, at the latest within a term of 15 days from the expiry of the stock subscription deadline.

Provisions of the law governing capital market apply to the procedure of payment of stocks issued via public offer.

Registration of Stocks and Stockholders in the Central Registry

Article 299

If the increase of capital based on new contributions is successful in terms of Articles 296 and 298 of this Act, the company files a request for registration of newly issued stocks and their holders in the Central Registry through a member of the Central Registry, within a term of five working days from the day of conclusion of subscription and payment.

The request referred to in paragraph 1 of this Article is accompanied with:

1) Decision on issuing stocks;

2) Proof of registration of the decision referred to in item 1) of this paragraph in compliance with the registration act;

3) List of persons who have subscribed and paid the stocks, with individually marked number of the subscribed and paid stocks and the total amount of stocks paid up, with a written statement of the company's legal representative that those data are accurate;

4) Certificate of a Central Registry member and the bank where the stocks were paid up on subscribed and paid stocks, i.e. a written statement of the legal representative of the company on the entered non-pecuniary contribution;

5) Written statement by the company's legal representative confirming the success of issue and the compliance with the terms set out in Article 298, paras. 1 and 3 of this Act;

6) Copy of the contract concluded between the company and the Central Registry member with respect to services regarding such capital increase.

The Central Registry adopts a bylaw whereby it regulates the form of the request referred to in paragraph 1 of this Article and documentation attached to that request.

If stocks are issued through a public offer, the registration of issued stocks and their lawful holders in the Central Registry is made in compliance with the law governing capital markets.

Registration of Capital Increase by Way of New Contributions

Article 300

Within a term of eight days from the day of registration of stocks issued within the procedure for the increase of share capital in the Central Registry, in accordance with the Article 299 of this Act, the company shall register the increase of the share capital in compliance with the law on registration.

The company's share capital is considered to be increased as of the day of registration of the

increase of share capital in accordance with paragraph 1 of this Article.

6.2.2. Conditional Increase of Share Capital

Basis and Amount of Conditional Increase in Share Capital

Article 301

The conditional increase of the company's share capital is made only to the extent necessary for:

1) Exercising the rights of holders of convertible securities to conversion into company stocks;

2) Exercising the rights of the holders of warrants to acquisition of company stocks;

3) Exercising the rights of employees, directors and members of the supervisory board, the company i.e. a company affiliated to it to purchase the company stocks, if so envisaged by the company's articles of association;

4) (Deleted)

The amount of increase of share capital referred to in paragraph 1 of this Article at the moment of rendering the decision on conditional increase in share capital may not exceed 50% of the company's share capital, except in case referred to in paragraph 1, item 3) of this Article when it may not exceed 3% of the company's share capital.

The decision of the general meeting on the conditional increase in share capital which is not in accordance with the provisions of this Article is null and void.

Content of the Decision

Article 302

The decision on the conditional increase of the company's share capital contains in particular:

1) Amount and purpose of the conditional increase of share capital;

2) Category of persons that are entitled to subscription of stocks and the conditions and deadlines for the exercise of that right;

3) Deadline by which an increase of share capital may be carried out;

4) Price at which stocks are acquired or method in which it may be determined;

5) Important elements of stocks issued as stipulated in Article 248 of this Act.

Subscription and Payment of Stocks in Case of Conditional Increase of Share Capital

Article 303

The holders of convertible bonds exercise the right to subscribe stocks at the occasion of realization of conditional increase of share capital by way of serving on the company a written statement on conversion of such convertible bonds into stocks, where such a statement substitutes the subscription and payment of stocks.

Article 297 of this Act applies mutatis mutandis to the procedure of subscription of stocks in cases from Article 301, paragraph 1, items 2) and 3).

In cases referred to in Article 301, paragraph 1, items 2) and 3) of this Act the stocks may not be issued prior to being paid up.

Stocks may be issued in exchange for convertible bonds only if the difference between the amounts for which such bonds were issued and the amounts of the share capital those bonds represent is covered from the reserves available for those purpose, or by payment of corresponding pecuniary

amount by the holders of those bonds.

Registration of Stocks and Stockholders into the Central Registry and Registration of Conditional Increase of Share Capital

Article 304

The provisions of Articles 299 and 300 of this Act apply mutatis mutandis to the registration of stocks and stockholders into the Central Registry, as well as to the registration of share capital increase in case referred to in Article 303 of this Act.

6.2.3. Increase of Share Capital out of Company's Net Assets

Conversion of Retained Earnings and Reserves into Share Capital

Article 305

The increase in the company's share capital out of the company's net assets is carried out by way of conversion of retained earnings and reserves into company's share capital.

The retained earnings and reserves of the company may not be converted into share capital only if the company did not report loss in the financial statements based on which a decision on the increase of share capital is adopted.

Notwithstanding paragraph 1 of this Article, the company may, provided it previously covers the losses referred to in paragraph 2 of this Article, increase the share capital from the retained earnings and reserves that remained after such loss is covered.

Only the reserves that may be used for those purposes may be converted into the share capital.

Financial Statements as Basis for Decision-Making

Article 306

In case of a public joint stock company and the company that is subject to audit in compliance with the accounting and auditing law, the financial statements based on which a decision on the increase of share capital out of the company's net assets is rendered shall contain a favorable auditor's opinion in terms of the law that regulates accounting and auditing.

In the case referred to in paragraph 1 of this Article, the decision on the increase of the company's share capital out of the company's net assets may be based on the financial statements for the previous business year provided that the company registers such a decision in accordance with the registration act within a term of six months as of the day of adoption of those financial statements by the company's general meeting.

Content of the Decision

Article 307

A decision on the increase of share capital out of the company's net assets contains in particular:

1) Total amount of increase of share capital;

2) Amount and type of reserves i.e. amount of retained earnings that are converted into share capital;

3) Indication whether new stocks are issued or whether the par value of the existing stocks, i.e. book value of stocks without par value, is increased; and

4) Significant elements of stocks that are issued as stipulated in Article 248 of this Act, if the

increase of share capital is carried out by way of issuing new stocks.

Entitlement to Acquire Stocks

Article 308

The right to stocks based on the increase of company's share capital out of the company's net assets is vested in the company's stockholders on the day of rendering such a decision.

The stockholders referred to in paragraph 1 of this Article are entitled to stocks based on the increase of share capital in proportion to their paid-in, i.e. entered contribution, in relation to the paid-in, i.e. entered share capital of the company.

The right referred to in paragraph 1 of this Article also belongs to the company on grounds of the company's own stocks.

A decision of the general meeting which is not in compliance with the provisions of this Article is null and void.

Rights of the Holders of Convertible Bonds

Article 309

In case of increasing the share capital out of the company's net assets, the rights of the holders of the company's convertible bonds are proportionally increased in respect to the number of stocks to which they are entitled to, or their par value, i.e. book value in case of stocks without par value.

Right to a Dividend

Article 310

The stocks acquired by way of increasing the share capital out of the company's net assets, i.e. the amount of increase of the par value of stocks, or book value of no-par stocks, carry the right to dividend for the entire business year in which a decision on the increase of share capital is made, unless such a decision stipulates otherwise.

The decision on the increase of share capital out of the net assets of the company may stipulate that the stocks acquired by way of increasing the share capital out of the company's net assets, i.e. the amount of increase of the par value of stocks, or the book value of no-par stocks, are included in the distribution of dividends also for the previous business year too, provided that such a decision is made before the decision on the distribution of profit for the previous business year.

Registration of the Increase of Share Capital into the Central Registry

Article 311

The request filed to the Central Registry for the registration of new stocks and their holders, i.e. registration of the increase of the par value of stocks, or the book value of non-par stocks, based on the increase of capital out of the company's net assets is accompanied by:

1) Decision on the increase of capital;

2) Evidence on registration of the decision referred to in item 1) of this paragraph in compliance with the registration act;

3) Written statement by the legal representative of the company on compliance with the terms set out in Art. 305 and 306 of this Act.

The request from paragraph 1 of this Article is filed within a term of five working days from the day the decision on capital increase is registered in accordance with the registration act.

A public joint stock company shall serve a notification on the increase of capital out of the company's net assets on the Securities Commission simultaneously with filing the request from paragraph 1 of this Article.

Registration of the Increase in Share Capital out of the Company's Net Assets

Article 312

The provisions of Article 300 of this Act apply mutatis mutandis to the registration of the increase of share capital out of the company's net assets.

6.2.4. Authorized Capital

Authorized Stocks

Article 313

In addition to issued stocks, a joint stock company may also have authorized stocks of a certain type and class, if provided so by the articles of association, where the number of authorized stocks shall always be smaller than half of the number of issued common stocks.

Authorized stocks may be issued in case of increasing the company's share capital with new contributions or for the purpose of exercising the rights of the holders of convertible bonds and warrants.

The general meeting renders a decision on authorized stocks specifying the significant elements of authorized stocks, and may also contain the authorization to the board of directors, i.e. supervisory board, if the company has a two-tier management system, to issue such authorized stocks within the period set forth in that decision.

The period referred to in paragraph 3 of this Article may not exceed five years from the day the decision is adopted, and may be extended by amendments of the articles of association or by a decision of the general meeting, prior to its expiry, where any such extension may amount to a period that may not be longer than five years.

With exception to paragraph 3 of this Article, the decision of the general meeting is not required if all the elements prescribed in paragraph 3 of this Article are stipulated in the articles of association.

The decision referred to in paragraph 3 of this Article is registered in keeping with the registration act.

6.3. Reduction of Share Capital

Adoption of the Resolution and its Content

Article 314

The decision on the reduction of share capital is passed by the general meeting by a three quarter majority of votes of the present stockholders of each class of stocks having the right to vote on the relevant matter.

Exceptionally, a decision on the reduction of share capital may be rendered by the board of directors, i.e. the supervisory board if the company has a two-tier management system, in case of cancellation of the company's own stocks, if that authorization is granted under the decision passed by the general meeting, as laid down in Article 282, paragraph 2 of this Act.

The decision referred to in paras. 1 and 2 of this Article is registered in accordance with the registration act within no later than three months as of the date of adoption.

The decision referred to in paragraph 1 of this Article that is not registered in accordance with paragraph 3 of this Article is null and void.

A decision on the reduction of share capital specifies the purpose, extent and manner of such reduction, and especially whether the reduction of share capital is made in compliance with Art. 320 or 321 of this Act.

If a reduction in share capital is made in keeping with the provisions of Article 319 of this Act that governs the protection of creditors, a decision on the reduction of share capital also contains the invitation to the creditors to file their claims for the purpose of security interest.

Article 315

(Deleted)

Methods of Reducing Share Capital

Article 316

The company's share capital may be reduced:

1) By withdrawal and cancellation of stocks in the possession of stockholders;

2) By cancellation of the company's own stocks;

3) By reducing the par value of stocks, i.e. book value of stocks in case of no-par stocks.

The reduction in share capital of the company is carried out by applying the provisions of this Act pertaining to the protection of creditors, unless this Act provides otherwise.

Assumptions for Withdrawal and Cancellation of Stocks

Article 317

The withdrawal and cancellation of the company's stocks may be carried out only if such a possibility was envisaged by the company's articles of association before the moment of registration of stocks that are withdrawn and cancelled.

As an exception, the withdrawal and cancellation of stocks may also be carried out in case when such a possibility was not envisaged by the company's articles of association before the moment of registration of stocks that are withdrawn and cancelled, on condition that the decision on withdrawal and cancellation of stocks is rendered with the consent of each stockholder whose stocks are withdrawn and cancelled, as well as third parties who hold rights to those stocks that are registered in the Central Registry.

The decision of the general meeting on the reduction of share capital by withdrawing and cancelling stocks referred to in paragraph 2 of this Article shall contain the conditions, terms and manner in which such withdrawal and cancellation of stocks are carried out, unless this is defined in the articles of association.

Equal Treatment of Stockholders of the Same Class

Article 318

Stockholders of the same class have equal treatment in carrying out the procedure of reduction of company's share capital.

The equal treatment of stockholders referred to in paragraph 1 of this Article is secured through a proportionate withdrawal and cancellation of stocks of all stockholders of the relevant class of stocks, or by a proportionate reduction of par value, i.e. book value of stocks of all stockholders of the relevant class of stocks.

The amount of reduction in share capital shall be established in the amount that enables the application of the principle of equal treatment in keeping with paragraph 2 of this Article.

The decision on the reduction of share capital that was adopted contrary to the principle of equal treatment is null and void.

Protection of Creditors

Article 319

The Business Entities Register publishes the decision on reduction of the company's share capital for a continuous period of three months starting from the day of registration pursuant to Article 314, paragraph 3 of this Act.

The company shall send a written notification of such decision to creditors known to the company, whose individual claims amount to at least 2,000,000 dinars in any foreign currency at the National Bank of Serbia middle exchange rate on the day of registration of the decision on reduction of company's share capital in accordance with Article 314 paragraph 3 of this Act, at the latest within 30 days from the day such decision is registered.

The creditors whose claims have arisen, independently of maturity dates, prior to the expiry of a 30-day deadline as of the day of publication of the decision on the reduction of the company's share capital in line with paragraph 1 of this Article, may demand in writing from the company the collateral for such claims until the expiry of the publication period for that decision as stipulated in paragraph 1 of this Article.

The creditors who demanded collateral for claims in keeping with paragraph 3 of this Article, and who neither obtained collateral for such claims within the period of two months upon the expiry of the time limit set forth in paragraph 1 of this Article, nor had those claims satisfied by the company, may file an action against the company before the competent court within a subsequent time limit of a month in order to institute a collateral for their claims, provided that the settlement of their claims is threatened by the subject reduction of share capital, whereof they are obliged, within that time limit, to inform the company in writing.

When deciding on the action referred to in paragraph 4 of this Article, the court shall pay special attention on whether the requested security is necessary for protecting the creditors, having in mind the company's assets.

With exception to paragraph 3 of this Article, the collateral for claims may not be demanded by:

1) Creditors whose claims belong to the first or second rank of priority in terms of the law governing bankruptcy;

2) Creditors whose claim is secured.

In the event of the reduction of share capital, the company may execute payments towards stockholders only upon the expiry of a period of 30 days from the day of registration of the decision on reduction of share capital in accordance with the registration act.

Exemptions from Application of Provisions on the Protection of Creditors in case of Cancellation of Stocks

Article 320

The provisions of Article 319 of this Act on protection of creditors do not apply in the following cases:

1) When cancelling own stocks which the company acquired without charge which are fully paid up;

2) When the fully paid in stocks are withdrawn and cancelled by payments at the burden of the reserves' funds that may be used for such purposes, where the company is obliged to comply with the provisions of Article 275 of this Act on payment limitations;

3) When withdrawal and cancelling of no-par stocks simultaneously leads to increased participation of the remaining stocks in the company's share capital, i.e. in case of stocks with par value, the par value of the remaining stocks is increased, thus preventing a reduction of the company's share capital;

4) When the withdrawal and cancellation of stocks is accompanied with issuance of new stocks with the par value of the withdrawn stocks, i.e. book value in case of no-par stocks.

Exemptions from the Application of Provisions on Protection of Creditors when Reducing the Share Capital without Change the Company's Net Assets

Article 321

A reduction of the company's share capital that does not result in a change of the company's net assets is not subject to the provisions of Article 319 of this Act on the protection of creditors.

The company's net assets are not changed in case of a reduction of share capital that:

1) Covers the company's losses;

2) Creates or increases the reserves for covering future losses of the company or for increasing the share capital out of the company's net assets.

The reduction of the company's share capital referred to in paragraph 2, item 1) of this Article may be carried out only if the company has no retained earnings and reserves that may be used for such purposes and in the amount that may not exceed the amount of losses to be covered.

The reserves referred to in paragraph 2, item 2) of this Article may not exceed 10% of the share capital after the capital reduction was carried out.

A reduction of capital, as provided for in the provisions of this Article, may not be the basis for effecting payments to stockholders or releasing stockholders from the obligation of payment, i.e. entering of the contributions that are subscribed, but not paid in, i.e. entered into the company.

Inscription of Reduction of Share Capital in the Central Registry

Article 322

After the registration of the decision on the reduction of the company's share capital, the company files a request for the inscription of changes that have arisen from reduction in share capital to the Central Registry, which is accompanied by:

1) A decision on the reduction of share capital;

2) Evidence on registration of the decision referred to in item 1) of this paragraph in compliance with the registration act;

3) Data on the changes that are inscribed and the stockholders on whose accounts such changes are inscribed;

4) A written statement of the chairman of the board of directors, as well as the chairman of the supervisory board if the company has a two-tier management system, on fulfillment of the legal requirements for capital reduction.

The request from paragraph 1 of this Article is to be filed within a term of five working days from the day of registration of the decision on reduction of share capital, in accordance with the registration act.

In the event of a capital reduction that the company was obliged to carry out in accordance with Article 319 of this Act, the company serves the request from paragraph 1 of this Article after the procedure for creditor protection was carried out, in addition to which, apart from the documents referred to in paragraph 1 of this Article, it submits:

1) Evidence of publication of the decision referred to in paragraph 1, item 1) of this Article, in accordance with the Article 319 of this Act;

2) Written statement of the chairman of the board of directors, as well as the chairman of the supervisory board if the company has a two-tier management system, that all the claims whose security or settlement were demanded by the creditors, in keeping with Article 319, paragraph 3 of this Act, have been secured, i.e. settled, or that those creditors have failed to file an action to the

competent court within the prescribed term, i.e. that the competent court has denied the request for establishment of collateral in favor of such creditors.

Directors and supervisory board members are jointly and severally liable to the company's creditors for any damage that may arise as a consequence of completed process of reduction of the company's share capital if the statement referred to in paragraph 1, item 4), or the statement referred to in paragraph 2, item 2) of this Articles were incorrect.

Registration of Decrease of the Share Capital and Effects of Registration

Article 323

After completed inscription of the changes arisen from reduction of share capital in the Central Registry, the company shall carry out the registration of the reduction of share capital in compliance with the registration act.

The company's share capital is deemed to be reduced as of the day of registration referred to in paragraph 1 of this Article.

Maximum Amount of Reduction

Article 324

Decision to reduce the share capital of a company below the minimum share capital referred to in Article 293 of this Act may be passed only under a condition that an increase in share capital is simultaneously carried out pursuant to Article 325 of this Act, so that, as a result of such reduction and increase the company's share capital becomes at least equal to the minimum amount of share capital referred to in Article 293 hereof.

In case from paragraph 1 of this Article, if the company fails to simultaneously pass a decision on increase of share capital in accordance with that paragraph, and fails to carry out such increase, the decision on reduction of share capital is null and void.

Simultaneous Reduction and Increase of Share Capital

Article 325

A company may render a decision by which the company's share capital is simultaneously reduced on one grounds, and increased on the other grounds.

Provisions of this Act governing the reduction and increase of the company's share capital apply to the case referred to in paragraph 1 of this Article.

7. Managing the Company

Company Bodies

Article 326

The management of the company may be organized through a one-tier or two-tier management system.

In case of one-tier management system, the company's bodies are:

1) General meeting;

2) One or several directors, i.e. a board of directors.

In case of two-tier management system, the company bodies are:

1) General meeting;

2) Supervisory board;

3) One or several executive directors, i.e. the executive board.

In a single member company the function of the general meeting is executed by the sole stockholder of the company.

In the case referred to in paragraph 4 of this Article, where the only member of the company is a legal person, the articles of association may determine the body of that member of the company which exercises the function of the general meeting on its behalf and, in the absence of such a provision, it is considered to be the legal representative of that member.

The company's articles of association stipulate whether the company has a one-tier or two-tier management system.

Any change in the type of management organization is made by way of amendment to the articles of association.

7.1. General Meeting

7.1.1. General Rules

Application of Provisions on General Meeting

Article 327

The provisions of this Act referring to the general meeting apply to all joint stock companies independently of the type of management organization.

Composition of the General Meeting and Stockholders' Rights

Article 328

The general meeting is composed of all company’s stockholders.

A stockholder is entitled to participate in the work of the general meeting, which implies:

1) Right to vote on the issues about which his class of stocks votes;

2) Right to participate in the debate about the issues on the agenda of the general meeting, which includes the right to file motions, ask questions related to the agenda of the general meeting, and receive answers, in compliance with the company's articles of association and the rules of procedure.

Exceptionally, the articles of association may stipulate the minimum number of stocks that a stockholder must possess in order to participate in person in the work of the general meeting, which may not exceed the number representing 0.1% of the total number of stocks of the relevant class.

The stockholders that do not individually possess the number of stocks prescribed in compliance with paragraph 3 of this Article have the right to participate in the work of the general meeting through their joint proxy or to vote in absentia, in accordance with this Act.

The articles of association or the rules of procedure of the general meeting may impose only those restrictions on the right to participate in the work of the general meeting that are aimed at securing order at the session of the general meeting.

Scope of Activity of the General Meeting

Article 329

The general meeting decides on:

1) Amendments to the articles of association;

2) Increase or reduction of share capital, as well as on each issuance of securities;

3) Number of authorized stocks;

4) Changes in the rights or privileges pertaining to any class of stocks;

5) Status changes and changes in legal form;

6) Acquisition and disposal of high-value assets;

7) Distribution of profit and coverage of losses;

8) Adoption of financial statements, as well as auditor's reports, if financial statements were subject to audit;

9) Adoption of reports of the board of directors, i.e. supervisory board, if the company has a two-tier management system;

10) Remunerations paid to directors, i.e. members of the supervisory board, if the company has a two-tier management system, i.e. rules on determining such remunerations, including the remuneration paid in stocks and other securities of the company;

11) Appointment and dismissal of directors;

12) Appointment and dismissal of the members of the supervisory board, if the company has a two-tier management system;

13) Initiating liquidation procedure, i.e. filing the request for bankruptcy of the company;

14) Choice of an auditor and remuneration for his work;

15) Other issues that are put on the agenda of the general meeting in keeping with this Act;

16) Other issues, in keeping with this Act and the articles of association.

Sessions of the General Meeting

Article 330

The sessions of the general meeting may be ordinary and extraordinary.

Stockholders' Day

Article 331

The stockholders' day is the day on which the list of stockholders entitled to participate in the work of the session of the general meeting is made and falls on the tenth day prior to the day that session takes place.

The list of stockholders referred to in paragraph 1 of this Article of A is made by the company on the basis of the extract from the single records of stockholders kept with the Central Registry.

The stockholder included in the list referred to in paragraph 1 of this Article, who transfers his stocks to a third party after the stockholders' day, retains the right to participate in the work of that session of the general meeting based on the stocks that he possessed at the stockholders' day.

The board of directors, i.e. the executive board if the company has a two-tier management system, shall serve the list under paragraph 1 of this Article on each stockholder from that list, in written or electronic form, at his written request that may also be sent electronically, without delay, but no later than on the working day that follows the day of receipt of the request.

Notwithstanding paragraph 4 of this Article, in case of a public joint stock company that has more than 10,000 stockholders as of the stockholders' day, it shall be considered that the company has met the obligation from that paragraph if it enables insight into the list from paragraph 1 of this Article to stockholders who have filed the request, in the company's premises starting from the next working day following the stockholders' day until the working day preceding the day on which the session of the general meeting is held, about what it shall inform the stockholders in the invitation to

the general meeting.

Venue of Sessions of General Meeting

Article 332

As a rule, the general meeting is held at the company's seat.

The board of directors, i.e. the supervisory board, if the company has a two-tier management system, may decide that the session of the general meeting is held at another venue if it is necessary in order to facilitate the organization of the general meeting’s session.

Chairman of the General Meeting

Article 333

The session of the general meeting is presided over by the chairman of the general meeting appointed under the articles of association, i.e. the person whom the general meeting elects at each session in compliance with the articles of association or the rules of procedure of the general meeting, and, in case the articles of association and the rules of procedure of the general meeting do not prescribe the procedure for the election of the chairman of the general meeting, the chairman of the general meeting is the person who possesses or represents the largest individual number of votes attached to common stocks in relation to the total number of votes of the present stockholders with common stocks.

If the articles of association of the general meeting envisage that the chairman 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 once elected chairman of the general meeting keeps that function at all forthcoming sessions of the general meeting, as well, until the election of a new chairman in accordance with the articles of association, i.e. the rules of procedure of the general meeting.

As an exception, the general meeting is presided over by a person whom the court has designated to discharge the function of a chairman of the general meeting in compliance with Article 339 of this Act.

Rules of Procedure of the General Meeting

Article 334

At its first session, the general meeting adopts, at the proposal of the chairman of the general meeting or the stockholders holding or representing at least 10% of the votes of the present stockholders, by a majority vote of the stockholders present, the rules of procedure of the general meeting (rules of procedure of the general meeting), unless a different majority is envisaged by the articles of association.

The rules of procedure of the general meeting specify in more detail the method of work and decision-making of the general meeting in compliance with this Act and the articles of association.

At the proposal of the chairman of the general meeting or the stockholders holding or representing at least 10% of the votes of the present stockholders, the general meeting may adopt amendments and supplements to the rules of procedure of the general meeting at each session by a majority vote referred to in paragraph 1 of this Article.

Invitation for a Session

Article 335

The invitation to the stockholders for the session of the general meeting (hereinafter referred to as:

invitation for a session) shall contain in particular:

1) Day of sending of invitation;

2) Time and venue of the session;

3) Proposed agenda of the session, clearly indicating the items of the agenda submitted to the general meeting for decision-making, and stipulating the class and the total number of stocks voting on that decision, and the majority required for the adoption of that decision;

4) Information about the manners in which the material for the session may be obtained;

5) Instruction on the stockholders' rights related to the participation in the work of the general meeting and clear and precise information on the rules on exercising such rights, which rules shall be in compliance with this Act, articles of association and rules of procedure of the general meeting;

6) Form for granting a power of attorney, if the company had prescribed mandatory use of that form in accordance with Article 344 of this Act;

7) Notification about the stockholders' day and explanation saying that only the stockholders who are the stockholders of the company as of that day are entitled to participate in the work of the general meeting;

8) Notification of decisions that represent the disposal of high value assets.

The notification referred to in paragraph 1, item 7) of this Article contains in particular:

1) Information about the stockholders' rights to propose the agenda and rights to ask questions, indicating the deadlines by which such rights may be used, where such notification may only contain those deadlines under the condition that it has clearly indicated that the detailed information on the use of such rights is available on the company's internet page;

2) Description of the procedure for voting through a proxy, and particularly the information about the manner in which the company enables the stockholders to electronically deliver the notification of appointment of a proxy;

3) Description of the procedure for voting in absentia, as well as for voting by electronic means, if that is stipulated in the articles of association, including the forms for such voting.

The invitation for the session is sent to the persons who are the company's stockholders on the day when the board of directors, i.e. the supervisory board rendered a decision to convene the general meeting, i.e. on the day of rendering of court's decision, if the session of the general meeting is convened by way of court order, in the following manner:

1) To the stockholders' addresses from the single register of stockholders, where invitation is considered served on the day registered mail is sent to such address, or by electronic mail, if the stockholder has provided written consent to such a manner of notification or

2) By publishing at the company's internet page.

A joint stock company is also obliged to publish the invitation for the session on the internet page of the register of business entities and on the internet page of the Central Registry.

A public joint stock company shall publish the invitation for session also on the internet page of the regulated market, i.e. on the multilateral trading facility where its stocks are traded, and always publishes it on its internet page.

The notification on the decision of the competent committee on the convening of the meeting of stockholders' general meeting with public joint stock companies with the proposed agenda must be published on the internet page of the company and on the internet page of the regulated market, i.e. multilateral trading platform, immediately after the adoption, and at the latest on the next working day.

Publication in accordance with paragraph 3 item 2) and paras. 4 and 5 of this Article shall last at least until the day the session is held.

Company's articles of association may envisage that the invitation to the session is also done by publication in at least one high-circulation daily newspaper distributed on the entire territory of the Republic of Serbia.

The company is not under the obligation to state in the invitation the elements from paragraph 1

items 4), 6) and 7) of this Article, if it indicates in the invitation for the session the internet pages where such data, i.e. documents may be downloaded.

The company shall bear all the costs of publishing and sending the invitation for the session.

If, due to technical reasons, the company is not in a position to publish the forms referred to in paragraph 2, item 3) of this Article on its internet page, the company shall indicate on its internet page the manner in which such forms may be obtained in hard copy, in which case it shall deliver such forms by post, free of charge, to each stockholder who requires so.

The materials for the session of the general meeting shall be made available to the stockholders simultaneously with the sending of the invitation:

1) By personal handover or through a proxy, at the company's seat during regular business hours or

2) On the company's internet page, so that the stockholders may download them in full.

Articles of association may envisage other manners in which the materials for session are made available to company’s stockholders.

Along with the invitation for the session, a public joint stock company shall also publish on its internet page the total number of stocks and voting rights as of the day of publication of the invitation, including the number of stocks of each class carrying the right to vote on the items of the agenda of the session.

The session of the general meeting of a company that is not a public joint stock company may be held even without applying provisions of this Article if all stockholders attend the session and none of the stockholders object to that.

The provisions of paragraph 4 of this Article do not apply to a one-member joint-stock company that is not public.

Agenda

Article 336

The agenda is determined by a decision on convening a session of the general meeting rendered by the board of directors, i.e. supervisory board, if the company has a two-tier management system.

The general meeting may decide and debate only on the items included in the agenda.

Right to Propose Additional Items on the Agenda

Article 337

One or a number of stockholders possessing at least 5% of stocks carrying voting rights may propose to the board of directors, i.e. the supervisory board, if the company has a two-tier management system the following:

1) Additional items of the agenda for the session that they propose the general meeting should debate on, provided that they explain such a proposal;

2) Additional items of the agenda for the session that they propose the general meeting should decide on, provided that they explain such a proposal and submit the wording of these decisions;

3) Different decisions on existing item of the agenda, provided that they explain such a proposal and submit the wording of these decisions.

The proposal referred to in paragraph 1 of this Article is given in writing, including the particulars of the proponents, and it may be forwarded to the company no later than 20 days prior to the day of holding of a regular session of the general meeting, i.e. 10 days prior to holding of an extraordinary session of the general meeting.

A public joint stock company shall publish the proposal the proposal referred to in paragraph 1 of this Article on the company's internet page on the working day following the day of receipt of the proposal, at the latest.

If the board of directors, i.e. the supervisory board, if the company has a two-tier management system, accepts the proposal referred to in paragraph 1 of this Article, the company shall, without delay, submit the new agenda and the proposed decisions to the stockholders entitled to participate in the work of the general meeting in the manner set forth in Article 335 of this Act.

Additions to Agenda by Court Order

Article 338

If the board of directors, i.e. supervisory board, provided that the company has a two-tier management system, does not accept the proposal referred to in Article 337 of this Act within a term of three days from the day of receipt of the proposal, the proponent is entitled to request, in a subsequent three-day period, that the competent court order the company, in a non-contentious proceeding, to put the proposed items on the agenda of the general meeting.

Upon rendering a decision on adopting the request referred to in paragraph 1 of this Article, the court sets the new items of the agenda and immediately serves the decision to the company, no later than the next working day, and the company shall, without delay, serve that decision on the stockholders who are entitled to participation in the work of the general meeting, in the manner envisaged under Article 335 of this Act.

The court may, according to the existing circumstances, decide that the decision referred to in paragraph 2 of this Article be published at the expense of the company in at least one high-circulation daily newspaper which is distributed in the entire territory of the Republic of Serbia.

If the new items of the agenda also include the proposal for adopting certain decisions, the court's decision referred to in paragraph 2 of this Article shall also contain the wording of such decisions.

The procedure referred to in paragraph 1 of this Article is urgent and the court shall render a decision on the request a term of eight days as of the day of the receipt of the request in court.

The appeal to the decision referred to in paragraph 2 of this Article does not stay the enforcement.

Holding of Sessions under a Court Order

Article 339

If a regular session is not held within the deadline prescribed by this Act, a stockholder who has the right to participate in the work of the general meeting, a director or a supervisory board member, if the company has a two-tier management system, may request, within the period of three months from the expiry of the deadline for holding of the regular session, that the court, in non-contentious proceeding, orders the holding of that session.

If the board of directors, i.e. supervisory board, if the company has a two-tier management system, fails to pass a decision as per request of the stockholders for convening of an extraordinary session within a term of eight days from the day of receiving such a request, i.e. if it rejects the request within that period and fails to notify the proponent thereof within the same period, as well as if the extraordinary session is not held within the period of 30 days from the day of receiving the request, each proponent may request, in the subsequent 30-day period, that the court orders holding of that session in the non-contentious proceeding.

The request referred to in paragraph 2 of this Article shall be deemed received by the company upon the expiry of three days from the day of sending the request, if such a request has been sent to the company's seat by registered mail.

The decision by which the court orders the holding of the session referred to in paragraphs 1 or 2 of this Article contains the place and time of the session, the manner of publication that the session is to be held, and the manner how the stockholders shall be invited, as well as the agenda of the session.

If the court finds it justified in view of the existing circumstances, it may appoint a person in the decision referred to in paragraph 4 of this Article, who shall announce the holding of a session, invite the stockholders to the session, and preside over the session, in compliance with the court's

decision.

The costs related to the actions referred to in paragraph 4 of this Article and the costs incurred by the person referred to in paragraph 5 of this Article shall be advanced by the proponent, in line with the court's decision.

The court shall impose an obligation on the company by way of the decision referred to in paragraph 4 of this Article to bear the costs referred to in paragraph 6 of this Article, as well as all costs of organization of that session.

The procedure conducted upon the request referred to in paragraph 1 of this Article is urgent and the court shall render a decision on that request within the period of eight days from the day of receipt of the request.

Voting in Absentia

Article 340

The stockholders may vote in writing, without attending a session, provided that their signatures on the ballot sheets are certified in compliance with the law regulating signature certification.

The articles of association may exclude the obligation of providing certified signatures referred to in paragraph 1 of this Article.

The stockholder who voted in absentia is deemed present at the session when decisions are made on the items of the agenda on which he had voted.

Participating in General Meeting via Electronic Means

Article 341

The articles of association or the rules of procedure of the general meeting may allow participation in the work of the general meeting via electronic means, as follows:

1) By real-time transmission of the general meeting;

2) By real-time, two-way transmission of the general meeting through where it is possible that the stockholders address the general meeting from a different location;

3) By mechanism for electronic voting, either before or during the session, without a need for appointing a proxy who would be physically present at the session.

If the company allows the participation in the work of the general meeting by electronic means, in keeping with paragraph 1 of this Article, such participation may be limited only due to the need for identifying the stockholders and providing security of electronic communication, only to the extent to which such limitations are necessary for fulfilling the those purposes.

If disturbances in transmission occur during the transmission of the session of the general meeting referred to in paragraph 1, item 1) of this Article, the chairman of the general meeting shall discontinue the session for as long as such interferences last.

Right to Ask Questions and Receive Answers

Article 342

The stockholder who has the right to participate in the work of the general meeting is entitled to pose questions to the directors and the supervisory board members, if the company has a two-tier management system, related to the items of the agenda, as well as other questions related to the company only to the extent in which the answers to those questions are necessary for a proper assessment of the issues that relate to the items of the agenda of the session.

If the general meeting of a parent company debates also about the consolidated financial statement, the right to pose questions exists also in relation to the operation of affiliated companies

that are included in the consolidated financial statement.

The director, i.e. supervisory board member shall provide the stockholder with an answer to the posed question referred to in paragraph 1 of this Article in the course of the session.

Notwithstanding paragraph 3 of this Article, a reply may be withheld if:

1) It could be reasonably concluded that giving an answer might incur damages to company, or to an affiliated person of the company;

2) Giving of an answer would constitute a crime;

3) The relevant information was available on the company's internet page in the form of questions and answers, at least seven days prior to the day of holding the session.

The articles of association and the rules of procedure of the general meeting may regulate the procedure for posing questions referred to in paragraph 1 of this Article exclusively for the purpose of facilitating identification of the stockholders, maintaining order at the session, preparing the session in a proper manner, as well as protecting a business secret and business interests of the company.

A director, i.e. the supervisory board member may give a single answer to several questions that have the same content.

In case the director, i.e. the supervisory board member refuses to provide a stockholder with an answer, that fact and the reason for such a refusal is entered in the minutes from the session.

Provision of Answers under a Court Order

Article 343

In the case referred to in Article 342, paragraph 7 of this Act, if the general meeting has adopted a decision on the item of the agenda in connection with which a question was asked but the answer was withheld, the stockholder to whom the answer was withheld is entitled to request, within a term of eight days from the day when the session is held, that a competent court orders the company, in the non-contentious proceedings, to deliver him an answer to the question asked within a term of eight days.

The right referred to in paragraph 1 of this Article is also vested in each stockholder who stated for the record that the answer was unjustifiably withheld.

The procedure referred to in paragraph 1 of this Article is urgent and the court shall render a decision on the request within a period of eight days as of the day of receipt of the request.

Power of Attorney for Voting

Article 344

A stockholder is entitled to authorize a person by way of power of attorney to participate in the work of the general meeting in his name, including the right to vote in his name (here in after: power of attorney for voting).

The proxy referred to in paragraph 1 of this Article has the same rights with respect to participation in the work of the general meeting as the stockholder who authorized him.

The company may neither prescribe special conditions that must be fulfilled by a proxy, nor limit their number.

If the power of attorney for voting was issued to a number of persons, it shall be deemed that each proxy is individually authorized for voting.

If a session is attended by more than one proxy of the same stockholder representing the same stocks, the company shall recognize as a proxy only the person whose power of attorney bears the latest date, and if there are several powers of attorney with the same latest date, the company shall recognize as a proxy only one of these persons.

The power of attorney for voting is granted in written form and contains in particular:

1) Name, i.e. business name of the stockholder with all the particulars referred to in Article 265, paragraph 1, item 1) of this Act;

2) Name of the proxy with all the particulars under Article 265, paragraph 1, item 1) of this Act;

3) Number, type and class of stocks for which the power of attorney is issued.

If the power of attorney for voting is issued by a natural person, it shall be certified in accordance with the law governing signature certification, unless such obligation is excluded by articles of association.

Power of attorney for voting may also be issued electronically, if the company has enabled that manner of granting the power of attorney.

A public joint stock company shall enable the issuing of power of attorney for voting by electronic means.

If the power of attorney is issued electronically, it shall be signed by a qualified electronic signature in accordance with the law governing electronic signature.

The articles of association of a public company shall envisage at least one manner in which a stockholder or a proxy may notify the company of the electronically issued power of attorney, in which case only formal requests may be prescribed that are necessary for identification of stockholders and verification of the content of the power of attorney for voting.

A company may prescribe a mandatory use of a certain form for issuing of power of attorney, under the condition that such a form enables issuing power of attorney with instructions for each item of the agenda.

The articles of association or the rules of procedure of the general meeting may envisage that a stockholder or proxy shall furnish the company with a copy of the power of attorney before the day when the session is held, provided that it shall not be determined that the last day for serving of the power of attorney is the day that precedes the day of holding the session for more than three working days.

If the power of attorney for voting contains guidance or instructions related to the exercise of voting rights, the proxy shall act in accordance therewith, and if the power of attorney contains no guidance, the proxy shall vote in good faith and in the best interests of the stockholder.

The instructions and guidance referred to in paragraph 14 of this Article shall be clear and precise and given per item of the agenda.

After the session is held, the proxy shall notify the stockholder of the manner in which he voted at the session.

The proxy is liable for damages that might be sustained by the stockholder if the voting right was exercised contrary to the provisions of paragraph 14 of this Article and such liability may not be limited or excluded, either in advance or subsequently.

If the power of attorney for voting stipulates that it is issued for one session of the general meeting, it is in force also for a reconvened session.

If the power of attorney does not stipulate that it is issued for one session of the general meeting, it is in force also for all subsequent sessions of the general meeting until it is revoked, i.e. until the expiry of the validity period for which it was issued.

The power of attorney for voting is not transferrable.

If the proxy is a legal person, it exercises the right to vote through its legal representative or other specially authorized person, who may exclusively be a member of the management body or employee of that legal person.

Who May be a Proxy

Article 345

The proxy referred to in Article 344 of this Act may be any person with legal capacity.

The proxy of the stockholder in a joint stock company may not be a person who is:

1) A controlling stockholder of the company or a person who is under control of the controlling stockholder or

2) A director or a member of the company's supervisory board, or a person that has such a capacity in another company which is the controlling stockholder of the company or in the company which is under control of the controlling stockholder or

3) An employee in the company or a person who has that capacity in another company that is the controlling stockholder of the company or in the company that is under control of the controlling stockholder or

4) A person who, in accordance with Article 62 of this Act, is deemed to be a person affiliated with the natural person referred to in items 1) through 3) of this paragraph or

5) The company's auditor or an employee of the person who performs company's auditing, or a person which has such capacity in another company that is the company's controlling stockholder, or in a company that is controlled by the controlling stockholder.

Provisions of paragraph 3 items 1) to 4) of this Article do not apply to the controlling stockholder's proxy.

Power of Attorney for Multiple Stockholders

Article 346

If one person is authorized by multiple stockholders to vote as a proxy, that person may exercise the right to vote in a different way with respect to each of those stockholders.

Special Rule for the Proxies Nominated by the Company

Article 347

If the invitation for a session suggests one or a number of persons to which the stockholders may issue a power of attorney for voting, such invitation shall include, for each of those persons, all the facts and circumstances relevant for identifying the existence of conflict of interest, as referred to in Article 345 of this Act.

The persons referred to in paragraph 1 of this Article shall inform the board of directors, i.e. the executive and the supervisory board if the company has a two-tier management system, of all the facts and circumstances referred to in paragraph 1 of this Article immediately upon becoming aware of the existence of such facts and circumstances.

Special Rule for Banks Keeping Collective or Custody Accounts

Article 348

A bank keeping collective or custody accounts, which is recorded in the single records of stockholders as a stockholder on its own behalf but for the account of its clients, is deemed as a proxy for voting in relation to those clients, provided that when attending the session it presents a written power of attorney for voting, i.e. warrant for representation issued by those clients.

The bank referred to in paragraph 1 of this Article may exercise the right to vote for each of its clients, separately.

The power of attorney for voting, i.e. warrant for representation shall be fill out in full at the time of issuing and may contain only the elements or statements that refer to the exercise of the voting right.

If a client fails to issue specific instructions for voting, the power of attorney for voting may entitle the bank to vote only in accordance with the proposal given to the client by the bank itself in respect to the exercise of voting rights.

At least once a year, the bank referred to in paragraph 1 of this Article shall notify all the clients referred to in paragraph 1 of this Article of the fact that they are authorized to revoke or amend the power of attorney for voting at any time.

The bank from paragraph 1 of this Article is under the obligation to enable the clients referred to in paragraph 1 of this Article to use the forms, which may also be in electronic format, for issuing the power of attorney for voting, i.e. the warrant for representation.

The bank from paragraph 1 of this Article shall keep the copies of all warrants for representation and issued powers of attorney for voting in hard copy or in electronic format for a period of three years as of the day the session was held, and shall issue, during the that period, at the request of the stockholder who issued the warrant for representation, i.e. power of attorney for voting, a written confirmation informing whether it acted in compliance with the instructions, i.e. guidance contained in the power of attorney.

The bank from paragraph 1 of this Article shall also observe other obligations with regards to conduct at the sessions of the general meeting and the power of attorney for voting, as prescribed by law or set forth in the decisions of the Securities' Commission.

Amendment or Revocation of the Power of Attorney for Voting

Article 349

A stockholder may amend or revoke the power of attorney in writing at any time prior to the day when the session is held, provided he has notified the proxy and the company thereof prior to the day when the session is held.

The amendment or revocation of the power of attorney for voting is carried out by mutatis mutandis application of the provisions of this Act pertaining to the issuing of the powers of attorney.

The power of attorney is deemed revoked if the stockholder attends the general meeting in person.

Attending the Session

Article 350

The articles of association or the rules of procedure of the general meeting may define the method of identifying stockholders and their proxies who attend the session and participate in its work.

The procedure defined in compliance with paragraph 1 of this Article shall be limited exclusively to the verification of personal identity of a person, and only to the extent necessary for the fulfillment of that goal.

If the company's articles of association or the rules of procedure of the general meeting do not specify the procedure referred to in paragraph 1 of this Article, the identity of the persons who are to attend a session is verified in the following manner:

1) For natural persons, by inspecting the personal identification document with a photograph, on the spot;

2) For legal persons, with evidence of the capacity of an authorized person of that legal person and by inspecting such persons' personal identification document with a photograph, on the spot.

The evidence referred to in paragraph 3, item 2) of this Article is considered to be an extract from the relevant register, and a special authorization stating the name of that person, if that person is not inscribed in the extract from the register as the company's representative.

Quorum

Article 351

A simple majority calculated in relation to the total number of votes of the class of stocks carrying a right of vote on a question at issue constitutes a quorum for the session of the general meeting,

unless the articles of association require a bigger majority.

Own stocks of a given class, as well as stocks of a given class whose voting right is suspended, are not taken into account whencounting the number of present, i.e. represented stockholders, when establishing the quorum.

The quorum also includes the votes of the stockholders who voted in absentia or by electronic means.

The quorum at the session of the general meeting is established before the general meeting commences its work.

The general meeting may decide on a given question only if the stockholders who hold or represent the necessary number of votes of the class of stocks carrying the voting right on that question, are present at the session of the general meeting, or are represented thereon.

Reconvened Session

Article 352

If a session of the general meeting is adjourned due to the lack of quorum, it can be reconvened with the same agenda so that it is held in no later than 30, and no earlier than 15 days as of the day of the adjourned session (reconvened session).

The invitation for the reconvened session is sent to the stockholders no later than ten days prior to the day scheduled for holding of the reconvened session.

If the day of holding of a reconvened session is determined in advance in the invitation for the session which was adjourned, the reconvened session shall be held on that day.

The day referred to in paragraph 3 of this Article may not be the day which comes earlier than the eighth or later than the thirtieth day, counting from the day of the adjourned session.

Stockholders' day of the adjourned session is applicable to the reconvened session.

Quorum for a Reconvened Session

Article 353

Quorum for the reconvened session is one third of the total number of votes of the stocks carrying the voting right on a given question, unless the articles of association require a larger number of votes, but not larger than the number of votes prescribed by Article 351 paragraph 1 of this Act.

If there is no necessary quorum at a reconvened session of the general meeting, or if it is not held within the prescribed period, the board of directors, i.e. the supervisory board if the company has a two-tier management system, shall convene a new session of the general meeting.

Majority for Decision-Making at a Reconvened Session

Article 354

The decisions at a reconvened session of the general meeting are be adopted by a majority prescribed by this Act and the articles of association, which in case of a joint stock company may not be smaller than one fourth of the total number of votes of the stocks carrying the voting right on the subject issue.

Voting Commission

Article 355

The chairman of the general meeting appoints a minute taker and member of the voting

commission, unless the articles of association or the rules of procedure of the general meeting require otherwise.

The voting commission, which is composed of at least three members:

1) Determines the list of persons participating in the work of the session, and particularly the stockholders and their proxies, stating, in particular, which stockholders are represented by such proxies, except in case of the stockholders whose stocks are kept by a custody bank on its behalf and for their account;

2) Determines the total number of votes and the number of votes of each of the present stockholders and proxies, as well as the existence of quorum for the work of the general meeting;

3) Determines the validity of each power of attorney and the instructions given in each power of attorney;

4) Counts votes;

5) Determines and announces the results of voting;

6) Gives the ballot sheets to the board of directors, i.e. the executive board if the company has a two-tier management system, for safekeeping;

7) Also performs other activities in compliance with the articles of association and the rules of procedure of the general meeting.

The voting commission shall act in an impartial and bona fide manner towards all stockholders and proxies, and submits a signed written report about its work.

Directors, supervisory board members, candidates for such offices or their affiliated persons may not be members of the voting commission.

Voting Results

Article 356

The chairman of the general meeting shall, for each of the decisions voted on by the stockholders, determine the total number of stocks of the stockholders who participated in voting, the percentage of share capital represented by those stocks, the total number of votes and the number of votes for and against the relevant decision, as well as the number of votes of the stockholders who abstained from voting.

Notwithstanding paragraph 1 of this Article, the chairman of the general meeting in public joint stock companies is authorized to establish only the existence of the majority required for adopting a certain decision if none of the present stockholders object to that.

A public joint stock company shall publish on its internet page, at the latest within a term of three days from the day of the held session, the adopted decisions and results of voting on all the items of the agenda which the stockholders voted on.

The information referred to in paragraph 3 of this Article shall be available on the internet page of the company for at least 30 days.

The company which fails to act in compliance with para. 3 and 4 of this Article shall deliver to each stockholder, at his request, the information referred to in paragraph 3 of this Article within a term of eight days from the day of receiving such request.

Should the company fail to act in accordance with paragraph 5 of this Article, the applicant may, within a further time limit of 30 days, demand that the competent court, in non-contentious proceeding, instructs the company to deliver the subject information.

Voting of Special Classes of Stocks

Article 357

If certain items of the agenda are subject to vote by special classes of stockholders, such voting

may take place during the work of the general meeting or at a specially convened session of the general meeting of the stockholders belonging to that class (special session of the general meeting) if so required by the stockholders holding the special class of stocks, which represent at least 10% of the total number of votes of the stocks entitled to vote on the matter concerned.

The articles of association may exclude the possibility of holding a special session of the general meeting.

The provisions of this Act pertaining to the convening, holding, establishing a quorum and participating in the work of the ordinary session of the general meeting apply to the convening, holding, establishing a quorum and participating in the work of a special session of the general meeting.

Majority for Decision-Making

Article 358

The general meeting renders decisions by a simple majority of the votes of the present stockholders entitled to vote on a certain matter, unless this Act or the articles of association requires a larger number of votes for certain matters.

While establishing the number of votes of the present stockholders for the purpose of establishing a majority for decision-making, the votes of the stockholders who voted in writing or by electronic means are taken into account also.

Voting Contracts

Article 359

The contract by which a stockholder or the stockholder's proxy is obligated to vote in keeping with the proposals or instructions given by the company, director or a supervisory board member, if the company has a two-tier management system, is null and void.

The contract by which a stockholder is obligated to exercise the voting right in a certain manner or not to vote, in exchange for privileges or other benefits granted to him by the company, director or member of the supervisory board, is null and void.

Manner of Voting

Article 360

Voting may be open or secret.

The articles of association, rules of procedure of the general meeting, or a resolution of the general meeting valid only for the session concerned, shall prescribe the manner and procedure of voting.

If the by-laws referred to in paragraph 2 of this Article do not prescribe the manner of voting, decisions are adopted by open voting.

In case of secret voting, ballot sheets shall be made in the manner which provides clear choice for the persons who vote.

In addition to the tasks referred to in Article 355 of this Act, the voting commission shall determine the total number of ballot sheets, as well as the number of unused and invalid sheets.

If the ballot sheet contains a number of issues to be voted on, the invalidity of the stockholder's vote on one issue does not affect the validity of his votes on other issues.

The stockholder shall vote on the specific issue in the same manner with all votes at his disposal, except in case of cumulative voting referred in Article 384 paragraph 4 of this Act.

Voting Right Carried by Pledged Stocks

Article 361

The stockholder as a pledge grantor has the voting right carried by the pledged stocks.

Disqualification to Vote

Article 362

The stockholder, as well as his affiliated persons, may not vote in the session in which the following resolutions are passed:

1) On eliminating or reducing his obligations towards the company;

2) On initiating or terminating a civil action against him;

3) On approving the transactions in which that stockholder has personal interest.

The votes of the stockholder whose right to vote is disqualified in accordance with paragraph 1 of this Article are not taken into consideration even when establishing a quorum.

Minutes

Article 363

Each decision of the general meeting is entered into the minutes.

The chairman of the general meeting appoints a minute taker who takes the minutes, and the chairman of the general meeting is responsible for the proper writing up of minutes.

If the company has a secretary, he takes the minutes and is responsible for the proper writing up of minutes.

The minutes from the session of the general meeting are written up at the latest within a term of eight days from the day the session was held.

The minutes contain:

1) Place and day of holding a session;

2) Name of the person who takes minutes;

3) Names of the members of the voting commission;

4) Summary of the debate on each item of the agenda;

5) Manner and result of voting on each item of the agenda which the general meeting decided on with overview of adopted resolutions;

6) For each item of the agenda which the general meeting voted on: the number of votes cast, the number of valid votes and the number of votes "for", "against" and "abstained";

7) Questions asked by the stockholders and answers given, in accordance with Article 342 of this Act, and objections of the dissenting stockholders.

The list of persons who participated in the work of the general meeting, as well as evidence that the session was convened in a proper manner constitute an integral part of the minutes.

The minutes are signed by the chairman of the general meeting, the minute taker, i.e. the secretary of the company, if any, and all members of the voting commission.

The chairman of the general meeting, i.e. the secretary of the company, if any, within a term of three days from the expiry of the time limit from paragraph 4 of this Article, in keeping with paragraph 6 of this Article, shall do the following with the signed minutes:

1) Serve them to all stockholders or

2) Publish them on the internet page of the company, or on the internet page of the business entities register, in the duration of at least 30 days.

A failure to act in the manner prescribed by this Article has no influence on the validity of the resolutions adopted at the session of the general meeting, if the voting result and the content of such decisions may be established otherwise.

7.1.2. Ordinary Session of the General Meeting

Holding of a Session

Article 364

An ordinary session of the general meeting is held once a year, no later than within six months from the end of a business year.

Failure to hold the ordinary session shall have no effect on the legal validity of the legal transactions, conduct and decisions of the company.

Convening the Session and Invitation for the Session

Article 365

An ordinary session of the general meeting is convened by the board of directors, i.e. the supervisory board, if the company has a two-tier management system.

An invitation for the session is sent no later than 30 days prior to the day when the session is held.

Attendance of Other Person in the Session

Article 366

As a rule, directors and members of the supervisory board if the company has a two-tier management system attend and participate in debate at the ordinary session of the general meeting, and the company’s auditor is also invited to that session within the time limit from Article 365 paragraph 2 of this Act.

Files for the Session

Article 367

The board of directors, i.e. the executive board shall make available to the stockholders the following documents and information for the session of the general meeting:

1) Financial statements with an auditor's opinion, if the audit of financial statements is mandatory for the company in compliance with the law governing accounting and audit;

2) Proposal of the decision on the distribution of profit, if generated;

3) Text of a proposal of each resolution whose adoption is proposed, with explanation;

4) Text of each contract or other legal transaction proposed for approval;

5) Detailed description of each issue proposed for debate, accompanied by a comment or an opinion of the board of directors, i.e. executive board and the supervisory board if the company has a two-tier management system;

6) In case of a public joint stock company, a report of the board of directors, i.e. executive board on the standing and operations of the company drafted in accordance with the law governing capital market (an annual report on the operation of the company), as well as the consolidated annual report on the standing and operations of the company if the company is under the obligation to draft

it in accordance with the law governing capital market (consolidated annual report on the operation of the company);

7) In the case of a public joint stock company, a report by the supervisory board on the operations of the company and performed supervision over the work of the executive board, if the company has a two-tier management system.

The materials referred to in paragraph 1 items 1) through 4) and item 6) of this Article are agreed by the supervisory board beforehand, if the company has a two-tier management system.

Apart from the documents and information referred to in paragraph 1 of this Article, such other documents and information as the board of directors, i.e. executive board or supervisory board if the company has a two-tier management system, deems to be of relevance for the work and decision-making of the general meeting, may also be made available to the stockholders.

Statement on Applying the Code of Corporate Management

Article 368

A statement on application of the code of corporate management is an integral part of the annual report on the operation of a public joint stock company and includes in particular:

1) Notification about the code of corporate management applied by the company, as well as the place where its text is publicly available;

2) All important notifications regarding the practice of corporate management exercised by the company, in particular those that are not expressly prescribed by law;

3) Derogations from the rules of the code of corporate management referred to in item 1) if this paragraph, if such derogations exist and the explanation of such derogations.

Obligation to Publish Data on Employment, Occupation and Functions of Directors and Members of the Supervisory Board of a Company

Article 368a

A public joint stock company is obliged to publish accurate and up-to-date information on the profession and previous employment of the members of the board of directors, i.e. the supervisory board on its website, as well as data on membership in other boards and the functions they perform in other companies.

Publication of Annual Reports on Operations of the Company

Article 369

A public joint stock company shall publish the annual report on operations and the consolidated annual report on operations, in accordance with the law governing the capital market, as well as to register them in compliance with the registration act.

Adoption of Annual Financial Statements and Other Reports

Article 370

The adoption of the annual financial statements or other reports referred to in Article 367 paragraph 1 of this Act does not affect the stockholders' rights if such statements and reports later prove to be incorrect.

Until the adoption of annual financial statements, the general meeting may not pass a decision on the distribution of profit, and if those statements are not adopted until the expiry of the deadline for the holding of the ordinary session of the general meeting referred to in Article 364 paragraph 1 of

this Act, the board of directors, i.e. supervisory board if the company has a two-tier management system, may not pass a decision on the distribution of the interim dividend upon the expiry of this deadline.

7.1.3. Extraordinary session of the general meeting

Holding of a Session

Article 371

An extraordinary session of the general meeting is held as needed, as well as when so prescribed by this Act or the articles of association.

In case that during preparation of annual or other financial statements that the company produces in accordance with the law, it is determined that the company operates with a loss due to which the value of net assets of the company became smaller than 50% of the company's share capital, an extraordinary session of the general meeting shall be convened, and in the invitation for that session shall contain the reason for convening that session, as well as a proposed agenda which shall include a proposal of a resolution on the liquidation of the company, i.e. a proposal of a decision on other measures to be taken when the situation occurs due to which the session was convened in the first place.

Convening the Session

Article 372

The extraordinary session is convened by the board of directors, i.e. the supervisory board if the company has a two-tier management system:

1) Pursuant to its own decision;

2) At the request of stockholders that hold a minimum of 5% of the share capital of the company, i.e. stockholders that hold a minimum of 5% of the stocks within the class entitled to vote on the items of the proposed agenda, unless the articles of association envisage a lower participation in the share capital of the company, i.e. a smaller number of stocks within the class that is entitled to vote on the items of the proposed agenda.

The request referred to in paragraph 1 item 2) of this Article shall include the particulars of each applicant in accordance with Article 265 of this Act and a reasoned proposal of the agenda for the session.

The eligible applicants of the request referred to in paragraph 1 item 2) of this Article are the stockholders that acquired such capacity at least three months before the submission of the request and that maintain such capacity until a decision on the request is passed.

In the case referred to in paragraph 1 item 2) of this Article, the agenda of an extraordinary session may be determined exclusively according to the agenda proposed in the request, save for the items that do not fall within the competence of the general meeting.

Notwithstanding paragraph 1 of this Article, the extraordinary session of a company in liquidation is convened by the company’s liquidator.

Sending an Invitation for the Session

Article 373

An invitation for an extraordinary session is sent at the latest 21 days prior to holding of the session.

Files for the Session

Article 374

The board of directors, i.e. executive board shall prepare and make available to the stockholders the following documents and information for the session of the general meeting:

1) Text of the proposal of each resolution proposed for adoption, with an explanation;

2) Text of each contract or other legal transaction proposed for approval;

3) Ballot sheet;

4) Detailed description of each issue proposed for discussion, accompanied by an explanation and statement of the board of directors, i.e. supervisory board, if the company has a two-tier management system.

Extraordinary Session of the General Meeting of a Company which is not a Public Joint Stock Company

Article 375

In the case of a company which is not a public joint stock company, an extraordinary session may be held even without convening, inviting the stockholders and submitting the files in accordance with Art. 373 through 374 of this Act, if it is attended by all stockholders entitled to vote on all items of the agenda, and if no stockholder opposes that, unless otherwise stipulated by the articles of association or the rules of procedure of the general meeting.

7.1.4. Contesting the Resolutions of the General Meeting

Right to Contest a Resolution

Article 376

One or more stockholders that were entitled to participate in the session of the general meeting may bring an action before the competent court contesting a resolution adopted at that session and seeking indemnification if:

1) That session of the general meeting was not convened in compliance with this Act or the articles of association;

2) That stockholder was prevented by the company or with the knowledge of any of the directors or the supervisory board members from participating in the work of the session at which the resolution was adopted;

3) The resolution of the general meeting was not adopted in accordance with this Act, the articles of association or the rules of procedure of the general meeting for some other reasons;

4) The decision of the general meeting is in contravention of the law or the articles of association;

5) Any of the stockholders, by exercising his right to vote, intends to gain benefit for himself or for a third party at the expense of the company or other stockholders through the adoption or implementation of that resolution;

6) In other cases in compliance with this Act.

The action referred to in paragraph 1 of this Article may also be filed by any of the directors or members of the supervisory board, if the company has a two-tier management system, if by implementing such resolution:

1) He would commit a crime, or some other offence punishable by law; or

2) He would be liable for damages incurred to the company, or to a third party.

The action referred to in paragraph 1 of this Article may be filed within a term of 30 days from the day of learning for the resolution of the general meeting, i.e. from the day of registration if the resolution was registered in accordance with the registration act, but not later than three months from the day the resolution was adopted.

The right to file an action referred to in paragraph 1 of this Article is not vested in the stockholder who:

1) Ceased to be a stockholder of the company after the stockholders' day;

2) Voted for the proposed resolution, provided that this fact may be proved by inspecting the minutes from the session or the report of the voting commission;

3) Attended the session, if he contests the decision in accordance with paragraph 1 item 2) of this Article.

If in the course of the proceeding under the action referred to in paragraph 1 of this Article, the plaintiff ceases to be a stockholder of the company, the competent court shall reject the motion for the annulment of the resolution and decide on the claim for damages if such a claim has been made.

Consequences of the Filed Action for Annulment of the Resolution

Article 377

The filing of an action for annulment of a resolution does not prevent its implementation or registration of that resolution, i.e. registration of a change based on that resolution, in accordance with the registration act.

The competent court may, at plaintiff's request, impose an injunction banning the implementation, i.e. registration referred to in paragraph 1 of this Article.

At the request of the person that filed the action for annulment of the resolution, an annotation of the ongoing dispute is registered in compliance with the law on registration.

Proceeding under the Action

Article 378

The proceeding under the action for annulment is urgent.

If more than one action has been filed for annulment of the same resolution, the proceedings are merged.

Consequences of a Court Ruling on Annulment of the Resolution

Article 379

A part of the ruling that annuls the resolution affects the company, stockholders, directors, and members of the supervisory board, if the company has a two-tier management system.

If the annulled resolution was registered in accordance with the registration act, the competent court submits the ruling referred to in paragraph 1 of this Article to the business entities register once it becomes final for the purpose of registration in the accordance with the registration act, and the litigating parties are entitled to submit the application for registration of changes to those data that had been registered on the basis of the annulled decision, if those data have been registered on the day of submission of the application.

In the case referred to in paragraph 1 of this Article, *bona fide* third parties retain the rights acquired on the basis of the annulled decision, i.e. its implementation.

Annulment of a Resolution on the Adoption of Annual Financial Statements of the Company

Article 380

If the ruling annulled the resolution on the adoption of annual financial statements of the company, is shall be considered that the resolution on the distribution of profit for that business year was also annulled by the same ruling, and the stockholders shall be obligated to return to the company all dividend received on the basis of that resolution, within a term of 30 days from the day of finality of the ruling.

Exemptions from Annulment of the Resolution

Article 381

A resolution of the general meeting shall not be annulled in the following cases:

1) If the resolution breaches a provision of the articles of association or the rules of procedure of the general meeting of lesser importance, and as a result of the resolution or its implementation, the right of the plaintiff or some other person entitled to file an action in accordance with Article 376 of this Act has not been infringed, or has been infringed to a lesser extent;

2) If the stockholders that were not entitled to participate in the work of the general meeting in accordance with this Act participated in the work of the general meeting, unless their participation was of decisive importance for reaching a quorum for the work of the general meeting, or for adopting that resolution;

3) In the event of invalid individual votes or miscounting of votes, unless they were decisive in terms of reaching the quorum or the needed majority for the adoption of the resolution;

4) In case the minutes are incomplete or incorrect, unless that fact prevented the determination of the content of the adopted resolution, i.e. establishment of the grounds for contesting it;

5) If it was replaced by some other resolution which was adopted in accordance with this Act, articles of association and rules of procedure,

6) In the event of a decision on a new issue of securities by public offer, if the issue was successful in terms of the law governing the capital market;

7) In case of a status change, if substitution of shares, i.e. stocks is disproportional.

In the case referred to in paragraph 1 of this Article, the court shall decide on the claim for damages if such a claim has been made.

In the case referred to in paragraph 1 item 5) of this Article, the court shall deliver a ruling binding the sued company to bear the costs of the dispute, and shall decide on the claim for damages if such a claim has been made, and the *bona fide* third parties shall keep the rights they acquired on the basis of the replaced decision, i.e. its implementation.

7.2. One-Tier Management System

Requirements and Limitations for Performing the Duty of a Director

Article 382

Any person with legal capacity may be a director.

The articles of association may lay down other the conditions that a particular person must in order to be a director.

A director may not be a following person:

1) Director or a member of the supervisory board in more than five companies;

2) Person sentenced for a crime against economy, during a period of five years, as of the day of finality of the ruling, where this period does not include the time spent serving a prison sentence;

3) Person imposed with a security injunction prohibiting him from conducting the activity which constitutes the predominant business activity of the company, for the duration of such prohibition.

Number of Directors

Article 383

A company has one or more directors whose number is laid down by the articles of association.

If a company has three or more directors, they make up the board of directors of the company.

Provisions of this Act on the board of directors apply mutatis mutandis to a company that has one or two directors, except for the provisions on the sessions of the board of directors.

A public joint stock company has a board of directors which comprises of at least three directors.

Director is registered in accordance with the registration act.

Appointment of Directors

Article 384

Directors are appointed by the general meeting.

A candidate for the director may be nominated by:

1) A director, i.e. a board of directors;

2) An appointment commission, if any;

3) Stockholders entitled to propose the agenda for the general meeting of the company.

In a public joint stock company, a candidate for the director may be nominated by the appointment commission and the stockholders entitled to propose an agenda for a session of the general meeting of the company.

In a public joint stock company, directors are appointed by the cumulative vote, if that is prescribed by the articles of association.

Term of Office of Directors

Article 385

Directors are appointed for a period stipulated by the articles of association, which may not be longer than four years (the term of office of directors).

If the length of the term of office of directors is not stipulated by the articles of association or a resolution of the general meeting on the appointment of directors, the term of office lasts for four years.

Upon the expiry of the term of office, a director may be reappointed.

Co-Opting of Directors

Article 386

If the number of directors falls below the number of directors set out in the articles of association, the remaining directors may appoint a person, i.e. persons to perform the duty of a director until the missing directors are appointed by the general meeting (co-opting), unless otherwise prescribed by the articles of association.

The number of persons appointed in accordance with paragraph 1 of this Article may not be higher than two.

Notwithstanding paragraph 1 of this Article, if the number of appointed directors falls below one-half of the number of directors stipulated by the articles of association, or if it is insufficient for decision-making or joint representation, the remaining directors shall convene the general meeting, without delay and no later than within a term of eight days, in order to appoint the missing directors.

The term of office of a director appointed by co-opting terminates at the first forthcoming session of the general meeting, and he may not be hired under the requirements that are more favorable to him than the requirements that applied to the director in whose place he has been appointed.

Executive and Non-Executive Directors

Article 387

Directors may be:

1) Executive directors;

2) Non-executive directors.

If a company has less than three directors, each director is an executive director.

A public joint stock company shall have non-executive directors whose number shall be higher than the number of executive directors.

Scope of Work of Executive Directors

Article 388

Executive directors conduct the operations of the company and are legal representatives of the company, unless the articles of association prescribe that only some executive directors represent the company.

If a company has two or more executive directors, they jointly conduct the operations of the company and represent it, unless the articles of association or a resolution of the general meeting stipulate otherwise.

A legal transaction or an action undertaken towards one executive director authorized for representation is considered to be made towards the company.

In conducting the operations of the company, executive directors shall comply with the limitations prescribed by this Act, articles of association, resolutions of the company general meeting, or decisions of the board of directors.

The articles of association, a resolution of the general meeting, or a decision of the board of directors may also limit particular or all executive directors in representation of the company by co-signature of a procurator.

An executive director may neither issue a power of attorney for representation nor represent the company in a dispute in which he is the opposing party, and in case the company has no other executive director authorized to represent the company such power of attorney is issued by the general meeting.

General Manager

Article 389

Directors may appoint one of the executive directors authorized to represent the company to be the general manager of the company.

The general manager of the company coordinates the work of executive directors and organizes the operations of the company.

The articles of association or a decision of the general meeting may lay down the requirements that a director must fulfill in order to be appointed as the general manager, and prescribe in detail its authorities and competences.

Non-Executive Directors

Article 390

Non-executive directors oversee the work of executive directors, propose a business strategy of the company and oversee its implementation.

Non-executive directors decide on granting approval in the cases of existence of personal interest of an executive director of the company in accordance with Article 66 of this Act.

Limitation for Performing the Duty of a Non-Executive Director

Article 391

A person employed in the company may not be a non-executive director.

Independent Directors

Article 392

A public joint stock company has at least one non-executive director who is at the same time independent from the company (independent director).

The independent director is a person not affiliated to directors, and a person who, over the last two years:

1) Has not been an executive director, or employed in the company, or in some other company affiliated to the company in terms of this Act;

2) Has not owned more than 20% of the share capital, and has not been employed or otherwise hired by some other company which has generated more than 20% of its annual revenues from the company over that period;

3) Has not received payments from the company or its affiliated persons in terms of this Act, i.e. has not claimed from such persons the amounts whose total value exceeds 20% of such person’s annual revenues over that period;

4) Has not owned more than 20% of the share capital of a company affiliated with the company in terms of this Act;

5) Has not been engaged in the conduct of an audit of the company's financial statements.

If, during his term of office, the independent director stops fulfilling the requirements set out in paragraph 2 of this Article, such person's independent director capacity terminates and he continues to perform his duties as a non-executive director if he meets the requirements for a non-executive director, i.e. as an executive director if he meets the requirements for an executive director.

If the person referred to in paragraph 3 of this Article does not meet the requirements for a director of the company, it is considered that his term of office as a director has terminated as of the day he ceased meeting such requirements.

If, for any reason whatsoever, a public joint stock company stays without at least one independent director, the remaining the directors shall, in case of not appointing the missing independent director by co-optation, within a term of 30 days from the day of becoming aware of the reason for the cessation of the capacity of the independent director, convene an extraordinary session of the general meeting for the purpose of appointing a new one.

A public joint stock company shall appoint a new independent director within a term of 60 days from

the day when the remaining directors became aware of the reason for the cessation of the independent director's capacity.

Remuneration for the Work of Directors and Stimulation (Bonus) by Awarding Stocks

Article 393

A director is entitled to remuneration for his work, and may also be entitled to stimulation by being awarded with stocks.

The articles of association, a decision of the general meeting or a decision of the supervisory board if the company has a two-tier management system, determine the remuneration and stimulation from paragraph 1 of this Article or the method of its determination.

The amount of the remuneration and stimulation referred to in paragraph 1 of this Article may depend on the company's operating results, but that remuneration may not be determined as a share in distribution of company's profits.

The stimulation set out in paragraph 1 of this Article may also be determined in stocks, i.e. warrants of the company or another company that is affiliated to the company.

In a public joint stock company, the remuneration and stimulation referred to in paragraph 1 of this Article are separately presented within the company's annual financial statements, in the part in which the stimulation was determined in stocks, with a note on the type, class, number and par value of stocks, i.e. book value in case of no-par stocks, acquired by the director, i.e. to the acquisition of which he is entitled on those grounds.

Termination of the Term of Office

Article 394

The term of office of a director terminates upon the expiry of the period for which he was appointed.

If, during his term of office, a director ceases to fulfill the requirements for the duty of the company's director, it is considered that his term of office ceased as of the day he ceased fulfilling such requirements.

The term of office of a director shall terminate if the general meeting fails to adopt the company's annual financial statements in an ordinary session of the general meeting.

Unless otherwise prescribed by the articles of association, the appointment of a director after termination of the term of office is done at the first upcoming session of the general meeting, during which time the director whose term of office terminated continues to perform his duty, unless his post has been filled by co-opting.

Dismissing a Director

Article 395

The general meeting of the company may dismiss the director even prior to the expiry of the term of office for which he was appointed, without stating the reasons.

Resignation of a Director

Article 396

A director may resign at any time by giving written notice to the remaining directors.

In single director companies, the director submits his resignation by giving notice to the chairman of

the general meeting or to the stockholder of the company who owns the biggest number of stocks carrying the right to vote.

The resignation produces effect in relation to the company as of the day of submission, unless a later date was specified therein.

The resignation of a directorand erasing the director from the register is registered in accordance with the registration act.

If the sole director of the company resigned, he shall continue to conduct the activities which may not be postponed until a new director is appointed, but not for more than 30 days from the day of registration of that resignation in accordance with the registration act.

Appointment of a Temporary Representative

Article 397

If a company is left without the director, and a new director is not registered in the register of business entities within a further 30-day deadline, a stockholder or another interested party may seek that director of the company be appointed by a court in non-contentious proceeding.

The proceeding from paragraph 1 of this Article is urgent and the court shall render a decision upon the motion within a term of eight days from the day the motion was received.

Competence and Liability of the Board of Directors

Article 398

The board of directors has the following competences:

1) Defining business strategy and business objectives of the company;

2) Conducting the company's operations and defining the internal organization of the company;

3) Performing internal supervision over the company's operations;

4) Establishing the company's accounting policies and risk management policies;

5) Being liable for accuracy of the company’s ledgers;

6) Being liable for accuracy of the company's financial statements;

7) Issue and revoking a procuration;

8) Convening the sessions of the company’s general meeting and determining a proposal of the agenda with draft resolutions;

9) Issuing authorized stocks, if so empowered by the articles of association or a resolution of the general meeting;

10) Determining the issue price of stocks and other securities, in accordance with Article 260 paras. 2 and 3 and Article 263 paragraph 2 of this Act;

11) Establishing the market value of stocks in accordance with Article 259 of this Act.

12) Deciding on the acquisition of own stocks in accordance with Article 282 paragraph 4 of this Act;

13) Calculating the amounts of the dividends, which, in compliance with this Act, the articles of association and a resolution of the general meeting, belong to certain classes of stockholders, determining the day and procedure of their payment, and also determining the method of their payment within the scope of authorizations given to the board under the articles of association or a resolution of the general meeting;

14) Passing a decision on the distribution of interim dividends to the stockholders, in the case referred to in Article 273 paragraph 2 of this Act;

15) Proposing to the general meeting a policy of remunerations for the directors, if this was not

defined by the articles of association, and proposing employment contracts, i.e. contracts for hiring the directors on other grounds;

16) Implementing the decisions of the general meeting;

17) Performing other duties and rendering decisions in compliance with this Act, the articles of association and resolutions of the general meeting.

The issues falling within the scope of competence of the board of directors:

1) May not be delegated to executive directors of the company;

2) May be transferred into the competence of the general meeting only by a decision of the board of directors, unless otherwise prescribed by the articles of association.

Duty of Reporting to the General Meeting

Article 399

The board of directors, at an ordinary session of the general meeting, submits reports on the following:

1) Accounting and financial reporting practices of the company and its affiliated companies, if any;

2) Compliance of the company's operations with the law and other regulations;

3) Qualification and independence of the company auditor's in relation to the company, if the financial statements of the company were subject to an audit;

4) Contracts concluded between the company and directors, as well as with persons affiliated to them in terms of this Act.

Chairman of the Board of Directors

Article 400

If a company has a board of directors, the directors elect one of the directors as the chairman of the board.

In a public joint stock company the chairman of the board of directors shall be one of the non-executive directors.

The chairman of the board of directors convenes and chairs the board sessions, proposes an agenda and is responsible for the taking of minutes from the board sessions.

The board of directors may dismiss and appoint a new chairman of the board at any time, without stating reasons for such an action.

If the chairman of the board is absent, each of the directors may convene a board session, and by majority vote of the directors present, one of the directors is elected to serve as the chairman at the beginning of the session, who, in a public joint stock company, must be a non-executive director.

In a public joint stock company, the chairman of the board of directors represents the company in relations with the executive directors in the manner prescribed by the articles of association, a resolution of the general meeting, or by a unanimous decision of the non-executive directors.

The chairman of the board of directors is registered in accordance with the registration act.

Method of Work of the Board of Directors

Article 401

The articles of association may regulate the method of work of the board of directors and the board of directors may also adopt the rules of its procedure which shall be in accordance with this Act 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 shall adopt the rules of procedure of the board of directors at its first session.

Sessions of the Board of Directors

Article 402

The board of directors of a public joint stock company holds at least four sessions a year.

If the chairman of the board of directors fails to convene a board session at the written request of any of the directors, in the manner that the session is held within 30 days from the day the request was submitted, the session may also be convened by that director stating the reason for convening the session and proposing an agenda.

Convening a Session of the Board of Directors

Article 403

A written invitation for a session of the board of directors stating the agenda incorporated with files for the session is served on directors within the term set forth by the articles of association or the rules of procedure of the board of directors, and if such term is not prescribed, the invitation is served eight days prior to the day of the session, at the latest, unless otherwise agreed by all directors.

Decisions passed at the session of the board of directors which has not been convened in accordance with this Act, with the articles of association or the rules of procedure of the board of directors, are not valid, unless otherwise agreed by all directors.

Quorum for Holding and Method of Holding Sessions of the Board of Directors

Article 404

A majority of the total number of directors constitutes a quorum for the work of a session of the board of directors, unless a higher number is prescribed by the articles of association or the rules of procedure of the board of directors.

Sessions of the board of directors may also be held in writing or electronically, by phone, telegraph, fax or some other means of audio-visual communication, provided none of the directors oppose it in writing, unless otherwise prescribed by the articles of association or the rules of procedure of the board of directors.

Absent directors may also vote in writing, and then they are deemed to have attended the session for the purposes of quorum, unless otherwise prescribed by the articles of association or the rules of procedure of the board of directors.

Attendance of Other Persons at the Sessions of the Board of Directors

Article 405

Apart from the directors, sessions of the board of directors may also be attended by members of the commissions of the board of directors, if the issues falling within the competence of a particular commission are on the agenda.

The attendance of the company auditor at the session of the board of directors, at which the company's financial statements are discussed, is mandatory.

At the invitation of the chairman of the board of directors, other experts may attend the sessions of the board of directors if they are required for discussion on certain issues from the agenda.

Decision-Making at Sessions of the Board of Directors

Article 406

The board of directors passes decisions by a majority vote of the directors present, unless a higher majority is prescribed by the articles of association or the rules of procedure.

If during decision-making, the votes of directors are evenly distributed, the chairman of the board of directors has the casting vote, unless otherwise prescribed by the articles of association or the rules of procedure.

Minutes from the Session of the Board of Directors

Article 407

The minutes are taken at the session of the board of directors, which particularly include the time and venue of the session, agenda, list of present and absent directors, essential content of debate on each item of the agenda, result of the vote and decisions passed, as well as possible separate opinions of certain directors.

The minutes are signed by the chairman of the board, i.e. the director who, in his absence, chaired the session, and is served on each director.

The chairman of the board of directors shall deliver the minutes from the session to all directors within a term of eight days from the day the session was held, unless some other deadline is prescribed by the articles of association or the rules of procedure of the board of directors.

Non-compliance with the provisions of this Article on taking, signing and serving of the minutes from sessions of the board of directors does not affect the validity of passed decisions.

Commissions of the Board of Directors

Article 408

The board of directors may set up commissions to assist it in its work, particularly for the purpose of preparing decisions it adopts, i.e. supervising the implementation of certain decisions, or performing particular expert tasks for the needs of the board of directors.

Directors and other natural persons who have relevant knowledge and work experience important for the work of the commission are eligible to be the members of the commission members.

The commissions may not render decisions on the issues which fall within the competence of the board of directors.

The commissions shall regularly report to the board of directors about their operation, in accordance with the decision on their establishment.

Commissions of the Board of Directors in a Public Joint Stock Company

Article 409

The board of directors of a public joint stock company shall set up an audit commission.

In addition to the commission from paragraph 1 of this Article, the board of directors of a public joint stock company may also establish:

1) Appointment commission;

2) Remuneration commission;

3) Other commissions, in accordance with the company's needs, if so envisaged by the articles of association.

If commissions from paragraph 2 of this Article are not set up in a public joint stock company, the board of directors performs the tasks from the competence of these commissions.

Composition of the Commissions of the Board of Directors

Article 410

Commissions of the board of directors have at least three members, and in case of a public joint stock company, one of those members shall always be an independent director.

Executive directors may neither participate in decision-making about the establishment of commissions referred to in Article 409 of this Act, nor nominate members of such commissions.

Notwithstanding Article 408 paragraph 2 of this Act, non-executive directors shall make the majority of members of the audit commission, appointment commission and remuneration commission of a public joint stock company.

In a public joint stock company the audit commission shall be chaired by an independent director.

At least one member of the audit commission shall be a person who is an authorized auditor in accordance with the law governing accounting and audit, or a person who has appropriate knowledge and work experience in the field of finance and accounting, and who is independent from the company in terms of Article 392 of this Act.

A person who is employed or otherwise engaged in the legal person that carries out audit of company's financial statements may not be a member of the audit commission.

In case of a public joint stock company, if none of the non-executive directors meets the conditions set out in paragraph 5 of this Article, the general meeting shall appoint the member of the audit commission who meets these conditions.

Audit Commission

Article 411

The audit commission:

1) Prepares, proposes and checks the implementation of the accounting policies and risk management policies;

2) Gives a proposal to the board of directors for the appointment and dismissal of persons in charge of internal control in the company;

3) Oversees the work of the internal control in the company;

4) Reviews the application of the accounting standards in the preparation of financial statements and assess the content of financial statements;

5) Reviews the fulfillment of conditions for the preparation of consolidated financial statements of the company;

6) Conducts the procedure of choosing the company auditor and nominates a company auditor candidate, along with an opinion on his competence and independence in relation to the company;

7) Gives opinion about the proposed contract with the company auditor, and if necessary, provides a reasoned proposal for cancelling the contract with the company auditor;

8) Oversees the audit procedure, including the determination of key issues that need to be subject to audit, and verification of auditor's independence and objectivity;

9) Also performs other tasks which fall within the scope of audit which are entrusted to it by the board of directors.

The audit commission prepares and submits to the board of directors reports on the issues referred to in paragraph 1 of this Article at least once a year, unless the articles of association or a decision of the board of directors stipulate that all or individual reports are prepared and submitted in shorter time intervals.

Appointment Commission

Article 412

The appointment commission:

1) Nominates a director candidate, along with its opinion and recommendation for appointment;

2) Proposes conditions to be fulfilled by the director candidate, and the procedure for the appointment of the director;

3) Prepares, at least once a year, a report on the adequacy of the composition of the board of directors and the number of directors, and gives recommendations in connection therewith;

4) Studies the company's human resource policy in the process of choosing the persons for the managerial positions in the company, and performs other tasks related to the human resource policy of the company as entrusted to it by the board of directors.

The board of directors shall include in the agenda of the first forthcoming session of the general meeting an assessment of the proposals and reports referred to in paragraph 1 items 1) through 3) of this Article.

Remuneration Commission

Article 413

The remuneration commission:

1) Prepares a draft of the decision on the policy of executive directors' remunerations;

2) Gives a proposal of the amount and structure of the remuneration for each individual executive director, as well as a proposal of the remuneration for the company auditor;

3) At least once a year, prepares a report for the general meeting of the company on the assessment of the amount and structure of the remuneration for each director;

4) Gives recommendations to the executive directors on the amount and structure of remuneration for the persons holding managerial positions in the company, and performs other tasks related to the remuneration policies of the company entrusted to it by the board of directors.

The board of directors shall include in the agenda of the first forthcoming session of the general meeting an assessment of the proposals and reports referred to in paragraph 1 items 1) through 3) of this Article.

Method of Work of the Commissions of the Board of Directors

Article 414

The commissions of the board of directors pass decisions by a majority vote of the total number of members.

In the event of an even distribution of votes, the chairman of the commission has the casting vote.

Only commission members may attend the sessions of the commission, as well as experts who have been unanimously invited by the commission members to attend a particular session if their presence is needed for addressing certain issues on the agenda.

Director's Liability

Article 415

A director is liable to the company for damages he incurs to it by a breach of the provisions of this Act, articles of association or of a resolution of the general meeting.

Exceptionally, a director shall not be liable for damages if he acted in accordance with a resolution of the general meeting.

If the damage referred to in paragraph 1 of this Article occurs as a consequence of a decision of the board of directors, all the directors who voted for that decision are liable for the damages.

In the case set out in paragraph 3 of this Article, a director who abstained from voting is deemed to have voted for the decision in respect to the liability for the damages.

In the case referred to in paragraph 4 of this Article, if a director neither attended the board of directors session at which the decision was passed, nor voted for it in another manner, it is deemed that he voted for that decision in respect of the liability for damages, if he failed to oppose the decision in writing within a term of eight days upon becoming aware of its adoption.

The company's claim for damages referred to in this Article becomes statute barred within a term of three years, counting from the day the damage occurred.

A company may not waive a claim for damages, other than in accordance with a resolution of the general meeting of the company which is passed by a three-fourths majority vote of the present stockholders, but such a resolution may not be passed if the stockholders that hold or represent at least 10% of the share capital of the company oppose it.

Executive directors' Reports

Article 416

Unless otherwise stipulated by the articles of association or a decision of the board of directors, executive directors shall report in writing to the board of directors on the following:

1) Planned business policy and other principal issues which pertain to the current and future conduct of operations, as well as on deviations from existing plans and projections quoting reasons for that, at least once a year, unless changed circumstances require an extraordinary report;

2) Profitability of the company's operations, for a session of the board of directors on which the financial statements of the company are discussed;

3) Operations, revenues and financial standing of the company, on quarterly basis;

4) Operations and business transactions that are ongoing or expected, which might be of great importance for the activities and liquidity of the company, as well as for the profitability of its operations, always when such circumstances occur or are expected to occur;

5) Other issues related to their work on which the board of directors or any director required special reports.

The reports referred to in paragraph 1 of this Article shall also pertain to controlled companies, if any.

The chairman of the board of directors shall inform the remaining directors of the received or requested executive directors' reports immediately when possible, but no later than on the first upcoming session of the board of directors.

Each director is entitled to inspect the delivered reports referred to in paragraph 1 of this Article, as well as the right to a copy of the reports, unless the board of directors decided otherwise.

The board of directors may decide to have certain reports delivered to the commissions of the board of directors also, if the directors deem it as necessary for their work.

7.3. Two-tier management system

Company bodies

Article 417

A company with two-tier management system has one or more executive directors and/or an

executive board, and a supervisory board.

If the company has three or more executive directors, they form an executive board.

A public joint stock company has at least three executive directors.

7.3.1. Executive Directors

Eligibility

Article 418

Executive directors are subject to the provisions of Article 382 of this Act governing the conditions for the appointment of directors in the company.

Number of Executive Directors

Article 419

The number of executive directors is determined by the articles of association.

Executive directors may have no deputies.

Executive directors are registered in accordance with the registration act.

Appointment of Executive Directors

Article 420

Executive directors are appointed by the supervisory board of a company.

The appointment commission, if any, nominates a candidate for an executive director.

If no appointment commission has been set up in the company, each member of the supervisory board may nominate a candidate for an executive director.

Director’s Term of Office

Article 421

The provisions of Article 385 of this Act apply mutatis mutandis to the term of office of executive directors.

Scope of Work of Executive Directors

Article 422

The provisions of Article 388 of this Act apply mutatis mutandis to the issues related to the scope of work of executive directors, unless otherwise stipulated in this Article.

The performance, i.e. undertaking of the following tasks requires the consent of the supervisory board:

1) Acquisition, disposal and encumbrance of shares and stocks that the company holds in other legal persons;

2) Acquisition, disposal and encumbrance of immovable property;

3) Getting a credit facility, i.e. getting and granting loans, creating security interest on company’s assets, as well as giving sureties and guarantees for third party liabilities;

4) Other transactions for which this Act prescribes the needed consent of the supervisory board.

The articles of association or a decision of the supervisory board may set forth:

1) That the consent of the supervisory board is not necessary for transactions referred to in paragraph 2 items 1) to 3) of this Article, if such transactions are undertaken within the scope of the company's regular operations; and

2) The value of transactions referred to in paragraph 2 item 3) of this Article that may be performed i.e. undertaken without the consent of the supervisory board.

Articles of association or a decision of the supervisory board may also set forth other transactions for whose performance i.e. undertaking consent of the supervisory board is needed.

When managing the company’s operations, the executive directors shall observe the limitations regarding the closing of certain transactions or types of affairs that require the consent of the supervisory board or the general meeting, and which are prescribed by this Act, the articles of association, resolutions of the general meeting and decisions of the supervisory board.

Articles of association, resolution of the general meeting or a decision of the supervisory board, if the supervisory board is so authorized by the articles of association, may limit some or all executive directors in representing the company by the co-signature of the procurator.

An executive director may neither issue a power of attorney for representation, nor represent the company in a dispute in which he is the opposing party, and in case the company has no other executive director authorized to represent the company such power of attorney is issued by the supervisory board.

General Manager

Article 423

The supervisory board may appoint one of the executive directors, authorized to represent the company, to be the general manager of the company.

The supervisory board shall appoint a general manager if the company has an executive board.

The general manager coordinates the work of executive directors and organizes the company's operations.

When a session of the executive board is held, the general manager chairs the session and proposes its agenda.

If the general manager is absent, each of the executive directors may convene a session of the executive board, at the occasion of which one of the executive directors is chosen to chair the session at its beginning by a majority vote of the executive directors in attendance.

Articles of association, resolution of the general meeting and decision of the supervisory board may define the conditions which an executive director must fulfill in order to be appointed as the general manager, and the same documents may prescribe in detail his authorizations and scope of work.

The general manager is registered in accordance with the registration act.

Remuneration for the Work of Executive Directors

Article 424

The provisions of Article 393 of this Act apply mutatis mutandis to the remuneration for the work of executive directors.

Termination of the Term of Office and Dismissal of Executive Directors

Article 425

The term of office of an executive director terminates upon the expiry of the period for which he was elected.

If, during his term of office, an executive director stops fulfilling the eligibility requirements, it is deemed that his term of office terminated as of the day of cessation of fulfillment of those requirements.

The supervisory board may dismiss an executive director even prior to the expiry of the term of office for which he was elected without stating reasons.

Resignation of an Executive Director and Appointing a Temporary Representative

Article 426

An executive director may, at any time, resign by giving a written notice to the supervisory board.

The resignation produces effect as of the day of the submission of notice, unless a later date is specified therein.

The resignation of the executive director and the removal of the executive director from the register is registered in accordance with the registration act.

If a sole executive director of the company resigned, he is obliged to continue to conduct the activities which may not be postponed until appointment of a new director, but not longer than 30 days as of the day of registration of that resignation in accordance with the registration act.

If the company remained without the sole executive director, and a new director is not registered in the register of business entities within a further time limit of 30 days, a stockholder or another interested party may request that the court in non-contentious procedure appoints a temporary representative of the company.

The procedure referred to in paragraph 5 of this Article is urgent and the court is obliged to make a decision upon request within eight days from the day of receipt of the request.

Scope of Work and Liability of the Executive Board

Article 427

The executive board:

1) Manages the operations of the company and establishes the internal organization of the company;

2) Is responsible for the accuracy of the company’s ledgers;

3) Is responsible for the accuracy of company's financial statements;

4) Prepares sessions of the general meeting of the company and proposes the agenda to the supervisory board;

5) Calculates the amounts of dividend which in accordance with this Act, articles of association and a decision of the general meeting, belong to certain classes of stockholders, determines the day and procedure of their payment, and also determines the method of their payment within the scope of authorizations given to it by the articles of association or a resolution of the general meeting;

6) Executes the decisions of the general meeting;

7) Performs other tasks and makes decisions in accordance with this Act, articles of association, resolutions of the general meeting and decisions of the supervisory board.

The issues falling within the scope of work of the executive board may not be transferred to the

supervisory board of the company.

Company with One or Two Directors

Article 428

The provisions of this Act governing the executive board apply mutatis mutandis to a company which has one or two executive directors, save for the provisions on the sessions of the executive board.

Method of Work of the Executive Board

Article 429

When managing the company's operations, the executive board acts independently.

The executive board renders decisions and acts outside sessions.

If executive directors disagree on a certain issue, the general manager may convene a session of the executive board.

At the session referred to in paragraph 3 of this Article, a decision is rendered by a majority vote of the executive directors, and in the event of an even distribution of votes the general manager has a casting vote.

The provisions of Article 404 of this Act apply mutatis mutandis to the quorum for holding, and the method of holding the sessions referred to in paragraph 3 of this Article.

The articles of association and decision of the supervisory board may regulate the method of work of the executive board, and the executive board may adopt rules of its procedure which must be in accordance with this Act, the articles of association and supervisory board decisions (the rules of procedure of the executive board).

Liability of Executive Directors

Article 430

The provisions of Article 415 of this Act apply mutatis mutandis to the liability of executive directors.

Executive Directors' Reports

Article 431

The provisions of Article 416 of this Act apply mutatis mutandis to the reporting obligation of executive directors.

7.3.2. Supervisory board

Conditions and Limitations for Membership in the Supervisory Board

Article 432

The provisions of Articles 382 and 391 of this Act apply mutatis mutandis to the conditions and limitations regarding the membership in the supervisory board.

Composition of the Supervisory Board

Article 433

The supervisory board has at least three members.

The number of supervisory board members is determined by the articles of association and shall be odd.

Supervisory board members may have no deputies.

Supervisory board members may neither be executive directors, nor procurators of the company.

Supervisory board members are registered in accordance with the registration act.

Appointment of Supervisory Board Members

Article 434

Supervisory board members are appointed by the general meeting.

A candidate for a supervisory board member is nominated by:

1) The supervisory board;

2) The appointment commission, if any;

3) The stockholders entitled to propose an agenda for the session of the general meeting.

Term of Office of Supervisory Board Members

Article 435

The provisions of Article 385 of this Act apply mutatis mutandis to the term of office of supervisory board members.

Co-Opting Supervisory Board Members

Article 436

The provisions of Article 386 of this Act apply mutatis mutandis to the co-optation of supervisory board members.

Independent Member of the Supervisory Board

Article 437

A public joint stock company has at least one member of the supervisory board who is independent from the company (an independent member of the supervisory board).

The provisions of Article 392 of this Act regulating the independent director apply mutatis mutandis to the independent member of the supervisory board.

Remuneration for the Work of Supervisory Board Members

Article 438

The provisions of Article 393 of this Act apply mutatis mutandis to the remuneration for the work of supervisory board members.

Termination of the Term of Office and Dismissal of Supervisory Board Members

Article 439

The provisions of Art. 394 and 395 of this Act apply mutatis mutandis to the termination of the term of office and dismissal of supervisory board members.

Resignation by a Member of the Supervisory Board

Article 440

A member of the supervisory may at any time resign by giving written notice to the remaining members of the supervisory board.

The resignation of a member of the supervisory board and the deletion of a member of the supervisory board from the register is registered in accordance with registration act.

The resignation produces effect as of the day of submission, unless a later date is specified therein.

Scope of Work of the Supervisory Board

Article 441

The supervisory board:

1) Determines the business strategy and business objectives of the company and oversees their fulfillment;

2) Supervises the work of executive directors;

3) Performs internal control of the company's operations;

4) Establishes accounting policies of the company and a risk management policies;

5) Determines the financial statements of the company and reports on company’s business operations and submits them to the general meeting for adoption;

6) Approves the terms of the employment contract, i.e. the engagement of the executive directors and gives consent to the conclusion of these contracts;

7) Convenes sessions of the general meeting and determines the proposal of the agenda;

8) Issues authorized stocks, if so empowered by the articles of association or a resolution of the general meeting;

9) Determines the issue price of stocks and other securities, in accordance with Article 260 paras. 2 and 3, and Article 263 paragraph 2 of this Act;

10) Determines the market value of stocks, in accordance with Article 259 of this Act;

11) Renders a decision on the acquisition of own shares in accordance with Article 282 paragraph 3 of this Act;

12) Renders a decision on the distribution of interim dividends to stockholders, in the case referred to in Article 273 paragraph 2 of this Act;

13) Propose to the general meeting of the company a policy of remunerations for the executive directors, if such policy is not prescribed by the articles of association;

14) Grants consent to the executive directors for entering into transactions or undertaking actions in accordance with this Act, articles of association, resolution of the general meeting and a decision of the supervisory board;

15) Performs other tasks and render decisions in compliance with this Act, articles of association and resolutions of the general meeting.

The issues falling within the scope of work of the supervisory board:

1) May not be transferred to the executive directors of the company;

2) May be transferred into the competence of the general meeting of the company only by a decision of the supervisory board, if not stipulated otherwise by the articles of association.

The supervisory board decides on granting of approval in cases of existence of personal interest of a company's executive director in accordance with Article 66 of this Act.

Duty to Report to the General Meeting

Article 442

The provisions of Article 399 of this Act apply mutatis mutandis to the duties of the supervisory board regarding reporting.

Chairman of the Supervisory Board

Article 443

The provisions of Article 400 of this Act apply mutatis mutandis to the chairman of the supervisory board.

Method of Work of the Supervisory Board

Article 444

The provisions of Article 401 of this Act apply mutatis mutandis to the method of work of the supervisory board.

Sessions of the Supervisory Board

Article 445

The provisions of Art. 402 through 407 of this Act apply mutatis mutandis to sessions of the supervisory board, their convening, quorum and method of holding thereof, presence of other persons, decision-making and minutes from the session.

Commissions of the Supervisory Board

Article 446

The provisions of Art. 408 through 414 of this Act apply mutatis mutandis to the commissions of the supervisory board.

Liability of Supervisory Board Members

Article 447

The provisions of Article 415 of this Act apply mutatis mutandis to the liability of supervisory board members.

7.4. Company Secretary

Appointment and Status

Article 448

A joint stock company may have a company secretary, if so determined by the articles of association.

The company secretary may be employed with the company.

The board of directors, i.e. the executive board, if the company has a two-tier management system, appoints the company secretary, and sets the amount of his salary, i.e. remuneration for work and other entitlements.

Term of Office of a Company Secretary

Article 449

The term of office of the company secretary lasts for four years, unless differently stipulated by the articles of association or a decision on appointment.

The provisions of this Act governing the termination of the term of office of a company director apply mutatis mutandis to the consequences of the termination of the term of office of the company secretary.

Scope of Work of a Company Secretary

Article 450

Unless otherwise specified by the articles of association or a decision on appointment of the company secretary, the company secretary is responsible for:

1) Preparation of the sessions of general meeting and taking minutes;

2) Preparation of sessions of the board of directors, i.e. executive board and supervisory board if the management of the company is two-tier, and taking minutes;

3) Keeping of all files, minutes and decisions from the sessions referred to in items 1) and 2) of this paragraph;

4) Communication between the company and the stockholders and enabling access to the files and documents referred to in item 3) of this paragraph, in accordance with the provisions of Article 465 of this Act.

A company secretary may also have other duties and responsibilities in accordance with the articles of association and the decision on his appointment.

7.5. Internal Supervision

Organizing Internal Supervision

Article 451

The company adopts by-laws in order to regulate the manner for conducting and organizing internal supervision of operations.

In public joint stock companies at least one person competent for internal supervision of operations shall meet the conditions prescribed for internal auditor, in accordance with the law governing accounting and audit.

A public joint stock company prescribes in its articles of association or in another by-law, the conditions that a person managing the tasks of internal supervision must meet with regard to professional and expert knowledge and experience rendering him adequate to perform this position in the company.

The person from paragraph 2 of this Article shall be employed with the company and perform only the tasks of internal supervision, and may neither be a director, nor a supervisory board member, if the company has a two-tier management system, and is appointed by the board of directors, i.e. the supervisory board, if the company has a two-tier management system, at the proposal of the audit commission.

Tasks of Internal Supervision

Article 452

Tasks of internal supervision in particular include:

1) Control of compliance of company's operations with the law, other regulations and company's by-laws;

2) Supervision of implementation of accounting policies and financial reporting;

3) Verification of the implementation of risk management policies;

4) Monitoring the compliance of company's organization and conduct with the corporate management code:

5) Evaluating policies and processes in the company, as well as making proposals as to how to improve them.

A person who manages the tasks of internal supervision shall regularly report to the audit commission about the carried out supervision, and in the companies that do not have an audit commission, to the board of directors, i.e. the supervisory board, if the company has a two-tier management system.

7.6. External Supervision

Audit of Financial Statements

Article 453

Annual financial statements of public joint stock companies shall be subject to audit.

Prior to the conclusion of the audit contract, and after that, at least once a year, for the entire duration of such a contract, the company's auditor shall serve on the audit commission of a public joint-stock company the following documents:

1) A written statement confirming his independence from the company;

2) Information on all services rendered in previous period to that company, in addition to audit of financial statements.

A public joint stock company's auditor shall inform the audit commission of that company about all circumstances that could affect his independence in relation to the company, and about the measures undertaken to eliminate those circumstances.

Provisions of this Article apply mutatis mutandis to all joint stock companies that are under the obligation to have their financial statements audited in accordance with the law governing accounting and audit.

Restriction on Termination of the Audit Contract during Audit

Article 454

A public joint stock company may not terminate the audit contract, concluded with the auditor, in the process of auditing of financial statements, on grounds of disagreement with the auditor's opinion on financial statements.

Special and Extraordinary Audit

Article 455

In terms of this Act, special audit is audit which may check the following:

1) Estimated value of in kind contribution or

2) Value and conditions under which the acquisition or disposal of high-value property from paragraph 470 of this Act has been carried out.

Extraordinary audit, in terms of this Act, is the audit of financial statements that were already subject to audit, and which may be undertaken if:

1) It is suspected that the audit of financial statements has not been conducted in accordance with the law and prescribed accounting standards and procedures or

2) Financial statements do not contain the notes prescribed by accounting standards or such notes are incomplete.

Special audit may be carried out within the term of three years from the day of entry of the in kind contribution, i.e. acquiring or disposal of high-value assets, whilst the extraordinary audit may be carried out within a term of three years from the day of adoption of the financial statements that were subject to audit.

Motion for Conducting Special or Extraordinary Audit

Article 456

The motion for conducting special or extraordinary audit may be filed by stockholders who hold or represent at least 10% of stocks that carry the voting right.

The motion from paragraph 1 of this Article, with explanation of the reasons why special or extraordinary audit is requested, is delivered in writing to the board of directors, i.e. the supervisory board, if the company has a two-tier management system, and such board shall:

1) Include this motion on the agenda of the first forthcoming ordinary session of the general meeting if the period prior to its taking place is shorter than six months, and if the deadline for supplementing the agenda, as referred to in Article 337 paragraph 2 of this Act, has not expired or

2) Convene an extraordinary session of the general meeting pursuant to Article 371 of this Act if the period prior to holding of the first forthcoming ordinary session of the general meeting is longer than six months, or if the time limit for supplementing the agenda from Article 337 paragraph 2 of this Act, has expired.

If the board of directors, i.e. the supervisory board, if the company has a two-tier management system, fails to act in accordance with paragraph 2 of this Article, the stockholders who have filed the motion for conducting the special or extraordinary audit may, in accordance with Article 339 of this Act, file a motion to the competent court requesting that the court instructs the holding of an extraordinary session of the general meeting, at which the motion under paragraph 1 of this Article shall be decided on.

If the motion from paragraph 1 of this Article is not put on the agenda of the ordinary session of the general meeting pursuant to paragraph 2, item 1) of this Article, the motion from paragraph 3 of this Article may be filed within a term of 30 days from the day such session is held.

Rendering a Decision on Conducting Special or Extraordinary Audit

Article 457

The decision on conducting special or extraordinary audit is passed by the general meeting by simple majority of votes of present stockholders.

The decision from paragraph 1 of this Article shall designate the auditor who shall conduct special

or extraordinary audit.

The selected auditor from paragraph 2 hereof may not be the auditor who has conducted the following:

1) Evaluation of the in kind contribution that is the subject of special audit;

2) Audit of financial statements for the period in which the acquisition or disposal of high-value assets has been carried out, now the subject of special audit;

3) Audit of financial statements that the subject of extraordinary audit.

If the general meeting refuses the motion for conducting special, i.e. extraordinary audit, the stockholders who have filed this motion may, within a term of 30 days from the day of holding of the session of the general meeting, demand that the competent court decide, in a non- contentious proceeding, on the motion for conducting a special, i.e. extraordinary audit.

By the decision whereby it sustains the motion for conducting special, i.e. extraordinary audit, the court also appoints an auditor who must meet the requirements set forth in paragraph 3 of this Article.

The company must make available all needed documentation and information requested by the auditor which conducts the special, i.e. extraordinary audit.

Prohibition to Transfer Stocks during the Process of Special or Extraordinary Audit

Article 458

In the case from Article 457 paragraph 4 of this Act, at company's request, the court may pass a writ in non-contentious proceeding instructing the Central Registry to register an interim ban on the transfer or stocks of stockholders under whose motion the decision on conducting special, i.e. extraordinary audit had been rendered.

Costs of Conducting the Special or Extraordinary Audit

Article 459

Costs of special or extraordinary audit are borne by the company.

If special or extraordinary audit is conducted on the grounds of a court decision, the court also establishes in such decision the amount of estimated costs from paragraph 1 of this Article, and instructs the company to pay it to the corresponding court deposit account.

If the company fails to execute payment of the amount of estimated costs for conducting special or extraordinary audit within the time limit set forth in the decision from paragraph 2 of this Article, the court shall enforce the payment of such amount.

Contents of the Special Audit Report

Article 460

A special audit report shall be made in written format, and shall include the auditor's findings with explanations.

The auditor shall make a statement in the report from paragraph 1 of this Article on whether the findings of the special audit derogate from:

1) The estimated value of the in kind contribution, if such a contribution was subject to special audit or

2) The value and conditions under which high-value assets were acquired or disposed of, if they were subject to special audit.

If the auditor states that the derogations from paragraph 2 of this Article are considerable, he shall clearly indicate that and propose measures to eliminate their consequences.

If the auditor states that the derogations from paragraph 2 of this Article are not considerable, the motion for the conducting of special audit is deemed unfounded.

Contents of Extraordinary Audit Report

Article 461

Extraordinary audit report shall be made in written format, and shall include the auditor's findings with explanations.

The auditor shall state in the report from paragraph 1 of this Article whether his opinion on the financial statements that were subject to extraordinary audit differs from the opinion given in regard to those financial statements by the auditor who conducted the previous audit, and give the reasons due to which the opinions differ.

If the auditor states that the differences from paragraph 2 of this Article are considerable, he shall propose the measures for the elimination of their consequences.

If the auditor states that differences from paragraph 2 of this Article are not considerable, the motion for conducting extraordinary audit is deemed unfounded.

Actions with Regard to Special or Extraordinary Audit Report

Article 462

Special or extraordinary audit report is served on the board of directors, i.e. the executive board and the supervisory board if the company has a two-tier management system, to stockholders who have filed the motion for it to be conducted, and to the court if special or extraordinary audit was conducted on the grounds of a court decision.

If the auditor has stated, in the report from paragraph 1 of this Article, that there are considerable derogations in terms of Article 460 paragraph 2, and 461 paragraph 2 of this Act, the board of directors, i.e. the supervisory board, if the company has a two-tier management system, shall convene an extraordinary session of the general meeting within a term of eight days from the day such report is served, in order for the report to be considered, so that such session is held within a term of 30 days from the day such report is served.

The board of directors, i.e. the supervisory board, if the company has a two-tier management system, in addition to the report from paragraph 1 of this Article, shall prepare its written statement on the findings of such report, with a proposal of resolutions of the general meeting.

If the board of directors, i.e. the supervisory board if the company has a two-tier management system, fails to act in accordance with paragraph 2 of this Article, the stockholders who have filed the motion for the conduction of special or extraordinary audit may file a motion to the court, within a term of 30 days from the day of serving of the report, demanding that the court, in non-contentious proceedings, instructs the holding of the extraordinary session of the general meeting from paragraph 2 of this Article.

If, in the case referred to in paragraph 2 of this Article, the general meeting fails to adopt the report of the auditor who has conducted the special, i.e. extraordinary audit, or the measures proposed by him, the stockholders who have voted in favor of adopting the report and measures proposed by the auditor have the right to be dissenting in terms of Article 474 of this Act, as well as the right to claim damages from the company.

If, in the report from paragraph 1 of this Article, the auditor has stated that there are no considerable derogations in terms of Article 460 paragraph 2, and 461 paragraph 2 of this Act, the board of directors, i.e. the supervisory board, if the company has a two-tier management system, shall put this report on the agenda of the first forthcoming session of the general meeting.

Company's Right to Recover Damages

Article 463

If the special or extraordinary audit report shows that the motion for its conducting was unfounded, the company has the right to claim the costs for conducting the special, i.e. extraordinary audit from the stockholders who have filed the motion for it to be conducted.

Stockholders who have filed the motion for conducting of a special or extraordinary audit have unlimited joint and several liability for the recovery of costs referred to in paragraph 1 of this Article.

8. By-Laws and Documents of a Company

Obligation to Keep Company's By-Laws and Documents

Article 464

A company keeps the following:

1) Memorandum of incorporation;

2) Ruling on the registration of the incorporation of the company;

3) Articles of association and all amendments thereto;

4) By-laws of the company;

5) Minutes from sessions of the general meeting and resolutions of the general meeting;

6) Decision on the incorporation of each branch or some other organizational part of the company;

7) Documents evidencing the ownership and other property rights of the company;

8) Minutes from the sessions of the board of directors, i.e. executive board and the supervisory board if the company has a two-tier management system;

9) Annual reports on the company's operations and consolidated annual reports;

10) Reports of the board of directors, i.e. executive board and the supervisory board if the company has a two-tier management system;

11) Records of the addresses of directors and members of the supervisory board, if the company has a two-tier management system;

12) Contracts concluded with the company by directors, supervisory board members, if the company has a two- tier management system, or their affiliated persons in terms of this Act.

A company shall keep the documents and by-laws referred to in paragraph 1 of this Article at its seat or such other place that is known or accessible to all directors and members of the supervisory board, if the company has a two-tier management system.

The documents and by-laws referred to in paragraph 1 items 1) through 5), 8, 9) and 12) of this Article are indefinitely kept by the company, while other documents and by-laws referred to in paragraph 1 of this Article at least five years, where after they are kept in accordance with the regulations governing the archives.

Access to the By-Laws and Documents of a Company

Article 465

The board of directors, i.e. the executive board if the company has a two-tier management system, shall make available the by-laws and documents referred to in Article 464 paragraph 1 items 1) through 5) and item 9) of this Act, as well as the financial statements of the company, to each stockholder, as well as to a former stockholder for the period during which he was a stockholder, at his written request filed in accordance with Article 81 of this Act, for the purpose of inspection and

photocopying at his own expense, during business hours.

The obligation from paragraph 1 above shall be considered fulfilled with regard to documents from paragraph 1 of this Article which the company has made available for free access and downloading from internet page of the company, free of charge.

Exceptionally from paragraph 1 of this Article, if a company secretary is appointed, he is responsible for the fulfillment of the obligation referred to paragraph 1 of this Article.

The stockholder's right referred to in paragraph 1 of this Article may be limited only to the extent necessary for the regular identification of the stockholder.

Access to the By-Laws and Documents under a Court Decision

Article 466

If the board of directors, i.e. the executive board, if the company has a two-tier management system, or the company secretary, if any, fails to act in accordance with the request referred to in Article 465 of this Act within a term of eight days from the day of receipt of the request, the proponent is entitled in further time limit of 30 days to seek from a court to instruct the company in a non-contentious proceeding to act in accordance with his request.

The proceeding referred to in paragraph 1 of this Article is urgent and the court shall render a decision on the request within a term of eight days from the day of receipt of the request.

Limitations in Respect to the Publication of the By-Laws and Documents of a Company

Article 467

A person who gets access to the by-laws and documents of the company in accordance with Art. 465 and 466 of this Act may not publish them in a manner which would incur damages to the company or harm its reputation.

9. Dissolution of a Company

Manner of Dissolution

Article 468

A company dissolves by way of deletion from the register of business entities on the following grounds:

1) Upon completed procedure of liquidation or compulsory liquidation in compliance with this Act;

2) Upon completed bankruptcy proceeding in compliance with the bankruptcy act;

3) In the event of a status change leading to a dissolution of a company.

Dissolution of a Company by a Court Decision

Article 469

Deciding upon the action brought against the company by the stockholders holding the stocks that represent a minimum of 20% of the company's share capital, the competent court may impose the dissolution of a company or other measures if:

1) The board of directors, i.e. executive board and supervisory board, if the company has a two-tier management system, are not able to manage the company's operations, either due to mutual disagreement or for some other reasons, and the general meeting cannot break the deadlock, for

which reason the company's business may no longer be conducted in the interest of stockholders;

2) The stockholders are deadlocked in decision-making at the general meeting for a period that includes at least two consecutive sessions of the general meeting, for which reason the company's business may no longer be conducted in the interest of the company;

3) The directors, i.e. members of the supervisory board, if the company has a two-tier management system, acted unlawfully, dishonestly or fraudulently, which is contrary to the interest of the stockholders who are filing the action;

4) If the company's assets are being dissipated or decreased.

In the proceeding upon the action referred to in paragraph 1 of this Article, if the reasons why the action is filed are curable, the court may grant the company a deadline of a maximum of six months to eliminate the irregularities.

If the company fails to eliminate the irregularities within the deadline referred to in paragraph 2 of this Article, the court shall render a ruling to impose dissolution of the company, or one or several measures, as follows:

1) Dismissal of a director or a member of the supervisory board, if the company has a two-tier management system;

2) Imposition of receivership on the company until the appointment of new directors, i.e. members of the supervisory board, if the company has a two-tier management system;

3) Conducting extraordinary audit of the company's financial statements;

4) Rendering a decision on the distribution of profit or payment of shares in the profit, i.e. dividend;

5) Purchase of stocks owned by the stockholders who filed the action by the company at the value determined in accordance with the Article 475 of this Act.

By way of the ruling referred to in paragraph 3 of this Article, the court may also order the company to compensate the damages of stockholders who filed the action.

Part four
ACQUISITION AND DISPOSAL OF HIGH-VALUE ASSETS

Concept and Basic Provisions

Article 470

If the company acquires, i.e. disposes of the assets, the purchase value and/or selling value and/or market value of which at the moment of rendering the relevant decision accounts for 30% or more of the book value of the total company's assets presented in the latest annual balance sheet, it is deemed that the company acquires, i.e. disposes of the high-value assets.

It is deemed that the acquisition, i.e. disposal of high-value assets is the acquisition, i.e. disposal of assets in any manner, including, in particular, purchase, sale, lease, exchange, establishment of a lien or mortgage, conclusion of a credit facility and loan agreements, issuance of sureties and guarantees, and taking any other action that creates an obligation for the company.

Notwithstanding paragraph 1 of this Article, it shall not be deemed that the purchase and sale of assets done within the scope of company's regular operation is the acquisition, i.e. disposal of high-value assets.

It is deemed that the assets in terms of paragraphs 1 and 2 of this Article are the things and rights, including immovables, movables, cash, shares held in companies, securities, receivables, industrial property, and other rights.

A single acquisition, i.e. disposal in terms of paragraph 1 of this Article is also deemed to be several related acquisitions, i.e. disposals made in a period of one year, whereas the time of occurrence is deemed as the day on which the last acquisition, i.e. disposal was made.

The related acquisition, i.e. disposal referred to in paragraph 5 of this Article shall include several individual transactions, i.e. legal activities that are undertaken in order to achieve the same goal, i.e. purpose or whose relation stems from the nature of the legal activity for the execution of which those legal transactions and legal activities are undertaken.

Notwithstanding paragraph 5 of this Article, one acquisition, i.e. disposal of high-value assets is not considered to be simultaneous institution of pledge right, mortgage or other means of security interest that the company yields in order to secure its commitment under a credit facility agreement, loan or other legal transaction, in which case the largest value of individual legal activity, i.e. legal transaction is taken as the value according to which the high-value assets from paragraph 1 of this Article are determined.

The acquisition, i.e. disposal of high-value assets may be conducted if approved by the general meeting, in advance or subsequently.

If a company acquires, i.e. disposes of high-value assets, the provisions of this Act governing the rights of dissenting shareholders apply mutatis mutandis.

Procedure of Acquisition, i.e. Disposal of High-Value Assets

Article 471

The board of directors, i.e. the supervisory board, if the company has a two-tier management system, prepares a proposal of the decision by which the general meeting approves the acquisition, i.e. disposal of high-value assets, along with:

1) An explanation containing the reasons for which adoption of that decision is recommended;

2) A report on the conditions under which high-value assets are to be acquired, i.e. disposed of.

A draft agreement on the acquisition, i.e. disposal of high-value assets constitutes an integral part of the files for the session of the general meeting at which the decision referred to in paragraph 1 of this Article is to be adopted.

Notwithstanding paragraph 2 of this Article, if the decision approves an already concluded agreement on the acquisition, i.e. disposal of high-value assets, such an agreement is be submitted along with the files for the session of the general meeting at which the decision referred to in paragraph 1 of this Article is to be adopted.

The general meeting passes a decision on approving the acquisition, i.e. disposal of high-value assets by a three quarter majority of votes of the present stockholders with voting right.

Exceptionally, if the general meeting of a public joint stock company has made a decision on the approval of the acquisition, i.e. disposal of, high value assets for the conclusion of a public contract in accordance with the regulations governing public-private partnership and concessions, for modifications of the concluded public contract that are performed in accordance with the procedure and the restrictions for amending the public contract according to the regulations governing public-private partnership and concessions, it is not necessary to pass a new decision on acquiring, i.e. disposing of high value assets.

In the case referred to in paragraph 5 of this Article, for the conclusion of a direct contract in accordance with the regulations governing public-private partnership and concessions, the general meeting of a public joint stock company does not pass a decision on acquiring, i.e. disposing of high value assets.

Consequences of the Breach of Provisions on Disposal of High-Value Assets

Article 472

If approval was not obtained in accordance with Articles 470 and 471 of this Act, the company and the stockholder who holds or represents at least 5% of the company's share capital may file an action to annul the legal transaction or legal activity of acquisition, i.e. disposal of high-value assets, provided that he held or represented at least 5% of the company's share capital on the day of conclusion of that legal transaction, i.e. legal activity.

Notwithstanding paragraph 1 of this Article, the legal transaction, i.e. the action shall not be annulled if the person who is the other party in the transaction, i.e. towards whom the action was taken was neither aware nor had to be aware of the breach of provisions of Article 471 of this Act at the time the legal transaction was concluded, i.e. the legal action was taken.

The members of the board of directors, i.e. the members of the supervisory board, if the company has a two-tier management system, are jointly and severally liable to the company for any damage sustained by that company due to the acquisition, i.e. disposal of high-value assets, if such acquisition, i.e. disposal was carried out without a decision of the general meeting approving it.

The company and the stockholder who holds or represents at least 5% of the company's share capital may file an action for compensation of damages against the person referred to in paragraph 3 of this Article.

The actions under paras. 1 and 4 of this Article may be filed within six months from the day when the session of the general meeting was held in which a subject of analysis was the report on the business operations for the business year in which the acquisition, i.e. disposal of high-value assets was executed, and at the latest within three years from the day of acquisition, i.e. disposal of high-value assets.

Mutatis Mutandis Application to a Limited Liability Company

Article 473

Provisions on acquisition, i.e. disposal of high-value assets apply mutatis mutandis also to a limited liability company, unless otherwise envisaged in the memorandum of association.

Part five
SPECIAL RIGHTS OF DISSENTING STOCKHOLDERS

Right of Dissenting Stockholders to Stocks' Buy-Back

Article 474

A stockholder may require of the company to repurchase his stocks if he votes against or abstains from voting for a decision:

1) On the amendment to the company's articles of association which reduces his rights referred to in Article 251 paragraph 1 items 1) through 4) and the rights under Article 253 of this Act;

2) On a status change;

3) On a change of legal form;

4) On a change of company duration;

5) On approving the acquisition, i.e. disposal of high-value assets;

6) On amending his other rights, if the articles of association stipulate that a stockholder is entitled, due to that reason, to a dissent and to a compensation of the market value of stocks in compliance with this Act;

7) On withdrawing one or more classes of stocks from a regulated market, i.e. a multilateral trading facility, in terms of the law governing capital market.

The stockholder who requires from the company to repurchase his stocks in accordance with Article 475 of this Act may not challenge the company's decision on which he bases his right.

The decision from paragraph 1 of this Article must contain a provision to the effect that it enters into force once the chairman of the board of directors, i.e. the chairman of the company's supervisory board, if the company has a two-tier management system, issues a written statement that all obligations of the company related to repurchase of stocks of dissenting stockholders have been executed in full in accordance with Art. 475 and 476 of this Act, i.e. that there were no dissenting stockholders.

The withdrawal of stocks referred to in paragraph 1 item 7) of this Article is governed by the appropriate provisions of the law that regulates the capital market.

Procedure for Exercising the Right to Stocks' Buy-Back

Article 475

The following makes an integral part of the files for the session of the general meeting at which the decision referred to in Article 474, paragraph 1 of this Act is adopted:

1) Notification about the rights of dissenting stockholders to a repurchase of their stocks, and the form of the request for exercising such rights which contains the fields for entering the name, i.e. business name of the stockholder and his domicile, i.e. seat, as well as the number and class of the stocks whose repurchase is requested;

2) Data on the market value of stocks of a public joint stock company established in accordance with the Article 259, paragraph 1 of this Act;

3) Data on the book value of stocks of a public joint stock company and data on appraised value of stocks of a public joint stock company established in accordance with the Article 51 of this Act, provided that the level of circulation of stocks under Article 259, paragraph 1 of this Act has not been reached, where such values are determined on the day the decision to convene the general meeting was adopted.

4) Data on the book value of stocks of a joint stock company which is not public, and data on the appraised value of stocks of that company established in accordance with the Article 51 of this Act, where those values are established on the day the decision to convene the general meeting was adopted.

If case he wishes to exercise the right to the repurchase of his stocks, the dissenting stockholder may submit the request from paragraph 1 of this Article to the company:

1) At the session of the general meeting at which the decision from Article 474 paragraph 1 of this Act is adopted, notably to the chairman of the general meeting, i.e. a person authorized by the chairman of the general meeting or

2) Within 15 days from the day such session of the general meeting ended.

The company is obliged to repurchase, within 60 days from the day of expiry of the time limit from paragraph 2 item 2) of this Article, the stocks that are the subject matter of the request referred to in paragraph 1 of this Article, in the value which is equal to the market value in the case referred to in paragraph 1, item 2) of this Article, i.e. in the highest value among the ones defined in the cases under paragraph 1 items 3) and 4) of this Article.

The repurchase of stocks from paragraph 3 of this Article, i.e. transfer of stocks and pecuniary funds shall be done in accordance with the rules of operation of the Central Registry.

Court Protection of the Rights of a Dissenting Stockholder

Article 476

A dissenting stockholder may file an action to the competent court, against the company, claiming the payment of:

1) Difference up to the full market value of his stocks established in accordance with Article 475 paragraph 3 of this Act, if he deems that the company paid out to him for his stocks the amount lower than such value, due to the fact that any of the values referred to in Article 475 of this Act was incorrectly established, or if the company has made only a partial payment;

2) Full value of his stocks established in accordance with Article 475 paragraph 3 of this Act, if the company failed to make any kind of payment to him on those basis, despite the fact that he filed a request in compliance with Article 475, paragraph 2 of this Act.

The action referred to in paragraph 1 of this Article is filed in no later than in the time limit of 30 days from the day the payment was made in accordance with Article 475, paragraph 4 of this Act, i.e. day of expiry of the deadline for such payment, if the payment was not made.

If more than one action from paragraph 1 of this Article were filed, the proceedings shall be consolidated.

If the court, by a final ruling made in the proceeding upon the action referred to in paragraph 1 of this Article, obligates the company to pay out to the dissenting stockholder the difference up to the full amount of the market value of stocks, i.e. the full value of stocks, the company shall recognize and pay the same stock value to all other dissenting stockholders of the same class of stocks, regardless of the fact whether such stockholders have filed the action from paragraph 1 of this Article.

If the company fails to act in accordance with paragraph 5 of this Article within the time limit for executing the ruling from paragraph 4 of this Article, each dissenting stockholder may file an action with the competent court demanding payment of the difference up to the full value of stocks, i.e. the value of stocks determined by that ruling.

Mutatis Mutandis Application to a Limited Liability Company

Article 477

The provisions on the rights of dissenting stockholders are applied mutatis mutandis to the members of a limited liability company, unless the memorandum of association of that company envisages otherwise.

Part six
CHANGE OF LEGAL FORM

Concept of a Legal Form Change

Article 478

By changing the legal form, a company converses from one legal form into another legal form, in accordance with this Act.

The change of the company's legal form does not affect the legal personality of that company.

The provisions of this Act governing establishment of a form of a company apply mutatis mutandis to the change of a legal form of the relevant company, unless this Act stipulates otherwise.

If a public joint stock company changes its legal form, it must fulfill the requirements for termination of the status of a public company which are prescribed by the law governing capital market.

A company may not change the legal form if it is in liquidation or bankruptcy, except as a measure of reorganization in accordance with the law governing bankruptcy.

Drafting of By-Laws and Documents Related to the Legal Form Change

Article 479

For the purpose of conducting the procedure for the change of legal form,one or several directors, i.e. the board of directors of the company prepares and submits to the general meeting the following by-laws and documents for adoption:

1) Proposal of the decision on the change of company's legal form;

2) Proposal of the amendment to the memorandum of association for the purpose of harmonization with the provisions of this Act governing the relevant legal form of the company;

3) Proposal of the articles of association of the company, if the company changes its legal form into a joint stock company;

4) Proposal of the decision whereby the members of the company's bodies are appointed, in compliance with the provisions of this Act governing the relevant legal form of the company;

5) Report on the need for conducting the procedure for changing the legal form, which shall contain:

(1) Explanation of legal consequences of the change of legal form;

(2) Reasons for and the analysis of the expected effects of the change of legal form;

(3) Explanation of the ratio of conversion of stocks into shares, i.e. shares into stocks, i.e. conversion of a share in one legal form of a company into shares of another legal form of a company, depending on the specific change of legal form;

6) Detailed notification about the right of a company member to dissent from the decision on the change of legal form, in terms of Article 481 of this Act.

In order to implement the procedure for changing the legal form of the general partnership, one of the partners prepares and delivers to other partners for adoption the by-laws and documents referred to in paragraph 1 of this Article.

In order to implement the procedure for changing the legal form of a limited partnership, one of the general partners prepares and delivers to other general and limited partners for adoption the by-laws and documents referred to in paragraph 1 of this Article.

If the company has a two-tier management system, the by-laws and documents from paragraph 1 of this Article are prepared by one or several directors, i.e. the executive board, and the supervisory board finalizes them and forwards them to the general meeting for adoption.

Conducting the Procedure of Company's Legal Form Change

Article 480

The provisions of this Act governing status changes apply mutatis mutandis to the notification of company members and creditors of the conducting of the procedure of legal form change, to the invitation for a session at which a decision on the change of legal form is to be made, and to the procedure of rendering such a decision, unless this Act stipulates otherwise.

Decision on the Change of a Company's Legal Form

Article 481

A decision on the change of legal form of a company contains in particular:

1) Business name and address of the seat of the company that undergoes the change of legal form;

2) Designation of a new legal form of the company;

3) Details regarding the manner and conditions for the conversion of shares in a company into stocks, or vice versa, i.e. conversion of shares of one legal form of a company into shares of another legal form of a company, depending on the specific change of legal form.

In a joint stock company, the decision on the change of legal form is passed by a three-quarter majority of the stockholders present, unless a larger majority is stipulated by the articles of association.

Concurrently with the decision referred to in paragraph 1 of this Article, the company's members, i.e. the general meeting adopts:

1) Amendments to the memorandum of association;

2) Articles of association, in case of a change of legal form into a joint stock company;

3) Decision or decisions on appointing members of the company's bodies.

Registration of the Change of Legal Form of a Company and Legal Consequences of Registration

Article 482

The registration of the change of legal form of a company is carried out in accordance with the registration act, and if a company changes its legal form to become a joint stock company, it shall carry out the prior registration of stocks with the Central registry, in keeping with this Act.

If a company changes its legal form and becomes a joint stock company, ora public joint stock company ceases to be such a company, the provisions of the law governing capital markets also apply.

The legal consequences of the change of legal form of a company arise on the day of registration of such a change, in accordance with the registration act.

The change of the legal form of a company produces the following legal consequences:

1) Shares of the members of the company are converted into stocks or vice versa, i.e. the shares of one legal form are transformed into shares on another legal form of a company, depending on the specific change of legal form;

2) Statutory holders of convertible bonds and warrants, i.e. other securities with special rights, except stocks, are provided with at least equal special rights after the change of legal form, unless

the decision on the issuance of such securities stipulates otherwise, or unless a different agreement has been reached with their holders;

3) Partners and general partners who, due to the change of legal form, have become company members with limited liability, remain jointly and severally liable, together with the company, for the company's obligations created prior to the registration of the change of legal form in compliance with the registration act;

4)Rights of third parties, which represent charges on shares, i.e. stocks of a company that changes the legal form, are transferred to shares, i.e. stocks of the new legal form of the company.

Part seven
STATUS CHANGES

1. Concept and Types of Status Changes

Concept of a Status change

Article 483

A company in a status change (hereinafter referred to as: the transferring company) reorganizes itself to the effect that it transfers assets and obligations to another company (hereinafter referred to as: the recipient company), while its members acquire shares, i.e. stocks in that company.

All members of the transferring company acquire shares, i.e. stocks in the recipient company pro rata to their shares, i.e. stocks in the transferring company, unless each member of the transferring company agrees that the status change establishes a different ratio for such conversion of shares, i.e. stocks, or unless each member exercises his right to payment instead of the acquisition of shares, i.e. stocks in the recipient company, in accordance with Article 508 of this Act.

A cash payment may also be made to a member of the transferring company on the basis of a status change, but to total amount of such payments to all members of the transferring company may not exceed 10% of the total par value of the shares, i.e. stocks acquired by the members of the transferring company, and if such stocks have no par value, 10% of the total book value of those stocks.

If a status change implies incorporation of a new company, the incorporation of such new company is governed by the provisions of this Act that relate to incorporation of a company in the relevant legal form, unless the provisions of this Act governing status changes stipulate otherwise.

If the status change implies acquisition of a public joint stock company by a company which is not a public joint stock company, or if it merges with it to form a new company which is not a public joint stock company, that company must fulfill the conditions for termination of the status of a public company that are prescribed by the law governing capital market.

Status changes may not be carried out in contravention of the provisions of the law governing protection of competition.

Participants in a Status Change

Article 484

Status change may involve one or several companies of the same or different legal form.

Status change may not involve a company which is in liquidation or bankruptcy, unless the status change is conducted as a measure of reorganization in accordance with the bankruptcy act.

Types of Status Changes

Article 485

Status changes are:

1) Acquisition;

2) Merger;

3) Division;

4) Spin-off.

Acquisition

Article 486

One or more companies may be acquired by another company by transferring all assets and obligations to that company, whereby the acquired company dissolves without undergoing liquidation procedure.

Merger

Article 487

Two or more companies may merge by forming a new company and by transferring all assets and obligations to that company, whereby the merging companies dissolve without undergoing liquidation procedure.

Division

Article 488

A company may divide by simultaneously transferring all of its assets and obligations to:

1) Two or more newly-incorporated companies (hereinafter referred to as: the division by incorporation") or

2) Two or more existing companies (hereinafter referred to as: the division by acquisition) or

3) One or more newly-incorporated companies and one or more existing companies (hereinafter referred to as: the mixed division).

The company referred to in paragraph 1 of this Article dissolves upon the completed status change without undergoing liquidation procedure.

Spin-off

Article 489

A company may divide itself by transferring a part of its assets and obligations to:

1) One or more newly-incorporated companies (hereinafter referred to as: spin-off by incorporation) or

2) One or more existing companies (hereinafter referred to as: spin-off by acquisition) or

3) One or more newly-incorporated companies and one or more existing companies (hereinafter referred to as: mixed spin-off).

The company referred to in paragraph 1 of this Article continues to exist upon the completion of

status change.

2. Regular Procedure for Conducting a Status Change

2.1. By-Laws and Documents Related to the Status Change

Preparation of By-Laws and Documents Related to the Status Change

Article 490

For the purpose of conducting a status change, the board of directors, i.e. supervisory board, if the company has a two-tier management system, prepares the following by-laws and documents:

1) Draft agreement on status change, i.e. draft division plan, if only one company participates in the status change, as well as all the documents referred to in Article 491, paragraph 3 of this Act;

2) Financial statements, with the auditor's opinion with the balance on the day that precedes for no more than six months the day of adoption of the decision of the general meeting on the status change;

3) Auditor's report on the completed audit of the status change;

4) Report on the status change compiled by the board of directors, i.e. executive board, if the company has a two-tier management system;

5) Proposal of the decision of the general meeting on the status change.

A company may use the following documents as the financial statements referred to in paragraph 1, item 2) of this Article:

1) Latest annual financial statements with the auditor's opinion, if no more than six months have elapsed from the end of the business year until the day of rendering of the decision of the general meeting on the status change or

2) Semi-annual financial statements with the auditor's opinion, if more than six months have elapsed from the end of the business year until the day of rendering of the decision of the general meeting on the status change.

The financial statements referred to in paragraph 1, item 2) of this Article may be based on the latest annual financial statements, if those statements were subject to audit, taking into account, based on the bookkeeping records, the changes that have occurred since the day on which the latest annual financial statements were prepared, including the more significant changes to the value of assets, without undergoing a special inventory of reserves and fixed assets.

Exceptionally, the financial statements referred to in paragraph 1, item 2) of this Article are not needed if all the members of the company involved in status change agree that these reports should not be prepared.

In a company which is not a public joint stock company, the auditor's report referred to in paragraph 1, item 3) of this Article is not needed if all the members of each company involved in the status change agree that this report should not be prepared.

The report referred to in paragraph 1, item 4) of this Article is not required for the company that participates in the status change if all the members of that company agree that such a report should not be made.

If the company continues to exist after the status change is completed, the board of directors, i.e. the supervisory board if the company has a two-tier management system, prepares a proposal of a decision of the general meeting on amendments to the memorandum of association, i.e. articles of association in case of a joint stock company.

If a new company is incorporated as a result of the status change, the board of directors, i.e. the supervisory board if the company has a two-tier management system, prepares a proposal of that company's memorandum of association, and if such company is a joint stock company, also a proposal of that company's articles of association.

Article 491

A contract on status change is concluded the status change involves two or more companies.

The agreement referred to in paragraph 1 of this Article contains in particular:

1) Business names and seats of the companies participating in the status change;

2) Aim and terms under which the status change is performed;

3) Designation of the value of assets and amount of liabilities transferred by way of status change to the recipient company and their description, as well as the manner in which such transfer is made to the recipient company;

4) Data on the exchange of shares, i.e. stocks and, in particular:

(1) The ratio at which the shares, i.e. stocks in the transferring company are exchanged for the shares, i.e. stocks in the recipient company, and the amount of cash payment, if any;

(2) The manner of taking over the shares, i.e. stocks by the recipient company and the date from which such shares, i.e. stocks carry the right of participation in profit;

(3) The data on the special rights that the members of the transferring company holding special rights acquire in the recipient company;

5) Date from which the business activities of the transferring company terminate, if that company is dissolved upon the completed status change;

6) Date from which the transactions of the transferring company are deemed, for accounting purposes, as transactions performed on behalf of the recipient company;

7) All special privileges in the recipient company approved to the members of the board of directors, i.e. executive and supervisory boards, if the company has a two-tier management system, of the companies that participate in status change;

8) Conditions under which the employment of employees shall continue in the recipient company;

9) Other issues relevant for performance of status change.

Integral parts of the agreement referred to in this Article are:

1) Proposal of a decision on amendments to the memorandum of association, i.e. articles of association of the recipient company, and, if the status change leads to the incorporation of a new company, a proposal of the memorandum of association, as well as a proposal of the articles of association of that company if such company is a joint stock company;

2) Divisional balance sheet of the transferring company, in case of a status change involving division or spin-off;

3) List of the members of the transferring company with the designation of the par value of their shares, i.e. stocks in the recipient company, as well as shares, i.e. stocks they acquire in the recipient company;

4) List of employees in the transferring company whose employment continues in the recipient company.

The agreement referred to in paragraph 1 of this Article is concluded by all the companies which participate in the status change, in writing, and is certified in compliance with the law governing signature certification.

If a status change implies that a controlled company is acquired by the company which is its exclusive owner, the agreement referred to in paragraph 1 of this Article neither contains the data on the exchange of shares, i.e. stocks, nor a document referred to in paragraph 3, item 3) of this Article is made.

Division Plan

Article 492

If only one company participates in the status change, the board of directors, i.e. supervisory board, if the company has a two-tier management system, adopts a division plan.

The division plan referred to in paragraph 1 of this Article contains in particular the details listed in Article 491, paragraph 2 of this Act.

The by-laws and documents referred to in Article 491, paragraph 3 of this Act constitute an integral part of the division plan referred to in paragraph 1 of this Article.

The division plan shall be made in writing and certified in compliance with the law governing signature certification.

Auditor's Report on Status Change

Article 493

At the request of the company participating in status change, the competent court shall appoint an auditor, in a non-contentious proceeding, to audit the agreement on status change, i.e. division plan, and such auditor compiles a report on the status change.

If several companies participate in the status change, the competent court may, at the joint request of all such companies, appoint one auditor who compiles a joint report on the status change for all these companies.

The auditor shall compile the report referred to in paragraph 2 of this Article and submit it to all the companies participating in the status change within the deadline determined by the court, which may not be longer than two months from the day of his appointment.

The auditor compiles the report on the status change in writing which shall contain an opinion on whether the ratio at which the shares, i.e. stocks are exchanged is fair and appropriate, as well as an explanation in which he shall in particular give answer to the following questions:

1) Which methods of value assessment were applied when the proposed ratio of the exchange of shares, i.e. stocks was determined, and which weights were awarded to values resulting from application of those methods;

2) Whether the applied methods and the weights awarded to values resulting from those methods were appropriate to the circumstances of that case, as well as what ratio of the exchange of shares would be if different weights were awarded;

3) Which circumstances hindered the assessment of value and performance of audit, if any?

The auditor is authorized to demand from all of the companies involved in the status change all the data and documents necessary for the successful compilation of the report, as well as to undertake all other actions needed for verification of the authenticity of data and documents received from those companies.

Report on Status Change by the Board of Directors, i.e. the Executive Board

Article 494

The board of directors, i.e. the executive board if the company has a two-tier management system, of the company conducting a status change compiles a detailed written report which contains in particular:

1) Goals wished to be achieved by way of status change, with the analysis of expected economic effects on the companies participating in the status change;

2) Explanation of the legal consequences of the conclusion of the agreement on status change, i.e.

adoption of the division plan;

3) Explanation of the ratio at which stocks or shares are exchanged;

4) Data on the amendments to the agreement on status change, i.e. division plan, if such amendments have been made based on the report of the auditor on the audit of status change;

5) Data on significant changes to the assets and liabilities of the companies participating in status change which occurred after the date on which financial statements were prepared.

If the company has a two-tier management system, the report referred to in paragraph 1 of this Article is served on the supervisory board for adoption before it is submitted to the general meeting for approval.

2.2. Notification of the Conducting of a Status Change

Duty to Publish

Article 495

The company publishes the draft agreement on status change, i.e. draft division plan on its internet page, if it has one, and serves it on the register of business entities for publication on the internet page of that register no later than 60 days prior to the day of holding a session of the general meeting at which the decision on status change is to be made.

Along with the draft referred to in paragraph 1 of this Article, the notification to the members of the company about the time and place at which they may inspect the documents and by-laws referred to in Article 490 of this Act is also be published.

A company which is not a public joint stock company is not obligated to publish the notification referred to in paragraph 2 of this Article, if such notification was forwarded to each company member, in person.

If more than one company participates in the status change, the publication envisaged in paras. 1 and 2 of this Article may be made jointly for all those companies.

Upon publishing the draft agreement on status change, i.e. draft division plan referred to in paragraph 1 of this Article, it is deemed that the company's creditors are also notified of the status change.

Duty to Allow Inspection of By-Laws and Documents

Article 496

A company conducting a status change shall allow its members to inspect the by-laws and documents referred to in Article 490 of this Act, as well as the annual financial statements for the last three years for each of the companies involved in the status change, and the auditor's opinion, if they were subject to audit, in the seat of the company, at the minimum during the period of one month that precedes the day of holding of the session of the general meeting at which the decision on status change is made.

Exceptionally, the company is not obliged to enable inspection of the documents and by-laws referred to in paragraph 1 of this Article at its seat, if those by-laws and documents were published in keeping with Article 495, para. 1 and 2 of this Act.

The company shall allow each shareholder of the company to copy the documents and by-laws referred to in paragraph 1 of this Article at the expense of the company.

Exceptionally, the company is under no obligation to allow copying of documents and by-laws referred to in paragraph 1 of this Article, if all the interested parties are allowed to obtain such documents and by-laws from the internet page of the register of business entities, without duty to identify themselves, and free of charge.

Obligation to Notify Creditors in Person

Article 497

The company shall send a written notification of the process of status change to a creditor known to the company whose claims amount to a minimum sum equaling 2,000,000 dinars in any foreign currency under a median exchange rate of the National Bank of Serbia, as at the day of publication referred to in Article 495, paragraph 2 of this Act, containing elements set out in Article 491, paragraph 2 of this Act, in no later than 30 days prior to the day of holding a session of the shareholders meeting at which the decision on status change is made.

Chairman of the board of directors, i.e. supervisory board if the company has a two- tier management system, shall issue a written statement verifying that the obligation to send the notification from paragraph 1 hereof was fulfilled.

2.3. Decision on the Status Change and its Legal Effect

Decision on Status Change

Article 498

In a decision on the status change, the general meeting approves:

1) The division plan adopted by the board of directors, i.e. supervisory board, if the company has a two-tier management system;

2) The contract on status change, if such a contract was concluded up to the date of holding of a session of the shareholders' meeting;

3) The draft agreement on status change, if such an agreement was not concluded up to the day of holding of a session of the shareholders' meeting.

In case of a joint stock company, the decision on the company's status change is passed by a three-quarter majority of votes of the stockholders present, unless a higher majority is prescribed by the articles of association.

If, as a result of the status change, certain members of the transferring company are becoming the members of the recipient company, jointly and severally liable for its obligations, the decision on status change may be rendered only with their consent.

The general meeting shall, concurrently with rendering the decision referred to in paragraph 1 of this Article:

1) Adopt the amendments of the memorandum of association, i.e. articles of association in case of a joint stock company, if the company continues to operate;

2) Adopt the memorandum of association of a company which is created in the status change, as well as the articles of association of that company, if it is a joint stock company;

3) Adopt a resolution on the share capital increase, i.e. decrease depending on the type of the status change.

If the exchange of share, i.e. stocks in a different proportion is effected by a status change, the decision referred to in paragraph 1 of this Article must contain a provision that it enters into force by issuing a written statement by the person referred to in Article 474, paragraph 3 of this Act, that each member of the transferring company agreed that the exchange of the shares, i.e. stocks in a different proportion is effected by the status change, except for the members of the transferring company that use their right to payment instead of acquiring shares, i.e. stocks in the recipient company in accordance with Article 508 of this Act.

In case of a joint stock company, the decision from paragraph 1 of this Article shall contain a provision that it enters into force upon giving of a written statement by the chairman of the board of directors, as well as the chairman of the supervisory board, if the company has a two-tier management system, that all of the dissenting stockholders were fully paid up for the value of their

stocks in accordance with Article 475 of this Act.

Entry into Force

Article 499

An agreement on status change enters into force when the general meetings of all the companies participating in the status change adopt a decision referred to in Article 498 of this Act approving it, i.e. on the day of conclusion of that contract, if that date comes later, unless the agreement envisages that it enters into force on a later date.

The division plan enters into force when approved by the decision referred to in Article 498 of this Act by the general meeting of the company which carries out the status change, unless that plan envisages that it enters into force at a later date.

Memorandum of association of a company created by a status change, as well as its articles of association, if it is a joint stock company, shall enter into force simultaneously with the entry into force of the agreement on status change.

Contesting the Decision on Status Change

Article 500

Provisions of Art. 376 through 381 of this Act apply when contesting the decision on status change.

In the proceeding upon the action for annulment of the decision on status change, the court shall set an appropriate period in which the respondent company shall eliminate the reasons for annulment, if such reasons can be eliminated.

The competent court shall serve the decision on annulment of the decision on status change, after it becomes final, on the register of business entities for publication in accordance with the registration act.

The decision referred to in paragraph 3 of this Article produces no effects to the rights and obligations of the recipient company in connection to status change which arose after entering into force of the legal consequences of the status change, and up to the day of publication of the decision in keeping with paragraph 3 of this Article, and all the companies participating in the status change are jointly and severally liable for those obligations.

The decision on status change may not be contested on the grounds of the determined ratio of the exchange of shares, i.e. stocks.

3. Simplified Procedure for Conducting Status Change

Simplified Procedure in case of Acquisition by a Controlling Company

Article 501

If the recipient company is a controlling company with at least 90% share in the share capital of the transferring company, i.e. with at least 90% of stocks carrying voting rights in the transferring company, the status change by way of acquisition is conducted without the decision on status change rendered by the general meeting of the recipient company if the following conditions are satisfied:

1) If the recipient company executed the publication referred to in Article 495 of this Act no later than one month prior to the day of holding of a session of the general meeting of the transferring company at which the decision on status change is made;

2) If the recipient company acted in compliance with Article 496 of this Act during the period of one month preceding the day of holding a session of the general meeting of the transferring company at

which the decision on status change is passed;

3) If one or more stockholders of the recipient company holding the stocks that represent at least 5% of its share capital do not demand the convening of the general meeting of the recipient company in order to render a decision on status change, within the deadline referred to in paragraph 1, item 1) of this Article.

In the case referred to in paragraph 1 of this Article, the transferring company is not under an obligation to compile the reports referred to in Article 490, paragraph 1, items 3) and 4) of this Act, and submit them to the general meeting for approval.

If the recipient company is a sole member of the transferring company, the agreement on status change does not contain the data listed in Article 491, paragraph 2, item 4) of this Act.

The issues of the simplified procedure of the status change that are not specifically regulated by this Article are subject to the provisions of this Act governing the regular procedure of status changes.

4. Change of Share Capital and Retained Assets and Liabilities

Increase in Share Capital of the Recipient Company

Article 502

The increase of share capital of the recipient company is carried out in compliance with the provisions of this Act governing increase of capital applicable to the legal form of the recipient company.

The members of the transferring company who subscribed shares, i.e. stocks in the transferring company which dissolves as a result of the status change, but have not fully paid up such shares, i.e. stocks until the moment of exchange for shares, i.e. stocks of the recipient company, shall pay up, i.e. enter the agreed contribution into the recipient company under the conditions which were applicable at the moment of their subscription, unless the agreement on status change stipulates otherwise.

Prohibition of Creation of Fictitious Capital

Article 503

The recipient company may not increase its share capital as a result of a status change on the grounds of shares, i.e. stocks which:

1) The recipient company holds in the transferring company;

2) The transferring company holds in the recipient company;

3) One transferring company holds in the other transferring company.

The recipient company may not issue stocks in exchange for:

1) Stocks which the recipient company holds in the transferring company, i.e. stocks that a third party holds on its own behalf and for the account of the recipient company;

2) Own stocks of the transferring company, i.e. stocks that a third party holds on its own behalf and for the account of the transferring company.

The shares, i.e. stocks that a transferring company holds in the recipient company, which are transferred to the recipient company as a result of the status change, become own shares, i.e. stocks of the recipient company.

Notwithstanding paragraph 3 of this Article, the recipient company may, if so envisaged by the agreement on status change, i.e. division plan, exchange the shares, i.e. stocks of the members of the transferring company for the shares, i.e. stocks held by the transferring company in the recipient company.

5. Registration of Status Change and Legal Consequences of Registration

Registration of a Status Change

Article 504

The registration of a status change is made in compliance with the registration act with respect to the recipient company and with respect to the transferring company,after entry into force of the contract on status change, i.e. the division plan.

The registration of the status change may not be made before the payout is made to the dissenting members of the company participating in the status change.

The persons referred to in Article 474, paragraph 3 of this Act confirm by a statement in writing that all dissenting members of the company participating in the status change have been paid out, i.e. that there were no dissenting members of the company.

The increase, i.e. reduction of share capital occurred as a result of a status change is registered in compliance with the registration act.

If a company is dissolved as a result of status change, it is deleted from the register of business companies in compliance with the registration act.

Legal Consequences of a Status Change

Article 505

The following legal consequences of a status change arise as of the day of registration of the status change, in compliance with the registration act:

1) Assets and liabilities of the transferring company pass to the recipient company, in accordance with the agreement on status change, i.e. division plan;

2) Recipient company becomes jointly and severally liable with the transferring company for its obligations that were not transferred to the recipient company, but only up to the amount of difference between the value of assets of the transferring company which were transferred to it and liabilities of the transferring company assumed by it, unless a different agreement is reached with a certain creditor;

3) Members of the transferring company become members of the recipient company by way of exchanging their shares, i.e. stocks for the shares, i.e. stocks of the recipient company, in accordance with the agreement on status change, i.e. division plan;

4) Shares, i.e. stocks of the transferring company, which were exchanged for the shares, i.e. stocks of the recipient company, are cancelled;

5) Rights of third parties that represent an encumbrance on the shares, i.e. stocks of the transferring company which are exchanged for the shares, i.e. stocks of the recipient company, pass to the shares, i.e. stocks which a member of the transferring company acquires in the recipient company, as well as to the claim for pecuniary compensation such a member is entitled to, in addition to or instead of the exchange for those stocks, i.e. shares in compliance with this Act;

6) Employees of the transferring company who are assigned to the recipient company under the agreement on status change, i.e. the division plan, continue to work in that company in compliance with employment regulations;

7) Other effects in accordance with the law.

With exception to paragraph 1, item 1) of this Article, and concerning the objects and rights whose transfer is conditional upon registration in public records, i.e. upon obtaining certain consents or approvals, the transfer of such assets to the recipient company is done by that registration, on the basis of the agreement on status change or division plan, i.e. by obtaining those consents or approvals.

If, as a result of status change, the transferring company dissolves, the following legal consequences also arise:

1) Transferring company dissolves without conducting liquidation proceeding;

2) Mutual claims between the transferring company and the recipient company terminate;

3) Obligations of the transferring company pass to the recipient company in accordance with the agreement on status change, i.e. division plan, and the recipient company becomes a new debtor with respect to such obligations, and, in case there are several recipient companies, each of them is severally liable for the obligations which passed to other recipient companies, in keeping with the agreement on status change, i.e. division plan, up to the amount of difference between the value of assets of the transferring company that was transferred to it and the obligations of the transferring company assumed by it, unless otherwise agreed with a certain creditor;

4) Permits, concessions, other privileges and exemptions granted or recognized to the transferring company pass to the recipient company in accordance with the agreement on status change, i.e. division plan, unless the regulations governing their granting stipulate otherwise;

5) Duties and authorizations, as well as powers of attorney for voting in the general meeting of the transferring company, of the directors, and members of the supervisory board, if the company has a two-tier management system, and representatives of the transferring company, cease.

In case of acquisition by a sole member of the company in compliance with Article 501, paragraph 3 of this Act, not even the consequence referred to in paragraph 1, item 3) of this Article arises.

Notwithstanding paragraph 1, item 2) and paragraph 3, item 3) of this Article, joint and several liability, or several liability of the recipient company shall not exist with respect to the claims for which the creditor has exercised the right to the relevant protection in keeping with the provisions of Article 509 of this Act.

Retained Assets and Liabilities of the Company Dissolved by Way of Division

Article 506

The assets of the transferring company dissolved by way of division, which were neither transferred to any recipient company under the agreement on status change, i.e. division plan, nor is it possible to identify by interpreting that agreement, i.e. division plan to which recipient company such assets are to be transferred, shall be transferred to each of the recipient companies in proportion to the share of assets transferred to them, reduced by the liabilities assumed, in the total net assets of the company that dissolved by way of division.

Each recipient company is jointly and severally liable, up to the amount of difference between the value of assets transferred to that company and liabilities assumed by that company, for the liabilities of the transferring company dissolved by way of division, which were neither distributed to any of the recipient companies under the agreement on status change, i.e. division plan, nor is it possible to identify by interpreting that agreement, i.e. division plan to which recipient company such liabilities are to be distributed.

6. Protection of the Rights of Members of the Transferring Company

Right to Additional Payment

Article 507

The member of the transferring company who deems that he is a damaged by the determined ratio of the exchange of shares, i.e. stocks in the transferring company for the shares, i.e. stocks in the recipient company, may file an action with the competent court against the recipient company within a term of 30 days from the day of publication of the notification referred to in Article 495 of this Act and seek payment of the pecuniary compensation in accordance with this Article.

If the court, deciding upon the action referred to in paragraph 1 of this Article, establishes that the

market value of the shares, i.e. stocks which the member of the transferring company acquired in the recipient company is lower than the market value of the shares and/stocks in the transferring company that were subject to exchange, it shall pass a ruling to obligate the recipient company to pay out to that person a pecuniary compensation which may not exceed 10% of the par value of his exchanged shares, i.e. stocks in the transferring company.

In the proceeding under the action referred to in paragraph 1 of this Article, the court shall, in case it appoints an expert witness to determine the market value of shares, i.e. stocks, instruct the respondent recipient company to advance the costs of such expertise.

If, in the proceeding under the action referred to in paragraph 1 of this Article, the court obligates the recipient company to pay out the pecuniary compensation, the recipient company shall pay to all the members of the transferring company whose shares, i.e. stocks of the same type and class have been exchanged for the shares, i.e. stocks of the recipient company, a proportionate amount in form of an additional payment.

If more than one action referred to in paragraph 1 of this Article were filed, the proceedings are consolidated.

Right to Payment

Article 508

A member of the transferring company who dissented from the decision on status change in terms of Article 483 of this Act has the right referred to in Article 474 of this Law, whereas the buy-back price of his stocks is determined by the decision on status change.

If a member of the transferring company deems that the purchase price determined by the decision on status change does not correspond to the market value of these stocks, or if that price is not paid to him, he has the right to file an action with the competent court in compliance with Article 476 of this Act.

The shares, i.e. stocks purchased in compliance with this Article become own shares, i.e. stocks of the recipient company,except in case of division by incorporation when they are distributed to members of the companies that are being incorporated.

A member of the transferring company may not raise any other claims towards the recipient company.

7. Third Party Protection

Protection of Creditors

Article 509

A creditor of a company undergoing a status change whose claim incurred prior to the registration of status change in accordance with the registration act who deems that the status change wherein his debtor participates would compromise the satisfaction of his claim, may, within a term of 30 days from the day of publication of the notification by his debtor referred to in Article 495 of this Act, seek the relevant protection.

Creditor protection in terms of paragraph 1 of this Article is provided in the following manner:

1) By providing security in the shape of a pledge, surety and the like;

2) By amending the terms of the contract where under the claim was incurred or by terminating that contract;

3) By separate management of the assets of the transferring company until the settlement of the claim;

4) By taking such other actions and measures which place the creditor in a position which is not less favorable than the position he enjoyed prior to the process of status change.

Conditions for Providing Protection

Article 510

The creditor of the transferring company, i.e. recipient company, is entitled to seek the protection referred to in Article 509 of this Act from his debtor or from the recipient company, i.e. transferring company only if the financial standing of the companies participating in the status change is such that the implementation of the status change compromises the satisfaction of his claim, and therefore, the provision of such protection is necessary for placing the creditor in a position which is not less favorable than the position he enjoyed prior to the process of status change.

The right to seek the protection referred to in Article 509 of this Act is not enjoyed by:

1) The creditors whose claims belong to the first or second rank of payment priority in terms of the law governing bankruptcy;

2) The creditors whose claim is secured.

Court Protection

Article 511

A creditor, who, within a term of 15 days from the day of filing a motion for the provision of protection, is not provided with the relevant protection, is entitled to file an action against its debtor with the competent court seeking the provision of relevant protection, in terms of Art. 509 and 510 of this Act.

The creditor is entitled to protection only if he proves that the satisfaction of his claim is compromised due to the status change.

At the request of the company, the court may impose an injunction banning the implementation of the status change if it finds it necessary and justified for the purpose of providing the relevant protection for the creditor who filed the action.

Protection of Holders of Bonds and Other Debt Securities

Article 512

The provisions of Art. 509 through 511 of this Act also apply to lawful holders of bonds and other debt securities issued by the transferring company, unless otherwise stipulated by a decision on the issue of such securities, or unless otherwise agreed with their holders.

Protection of Holders of Special Rights

Article 513

The lawful holders of convertible bonds, warrants and other securities carrying special rights except stocks, issued by the transferring company which dissolves as a result of a status change, acquire at least equal rights towards the recipient company unless:

1) Otherwise stipulated by the decision on the issue of such securities or

2) Otherwise agreed with such a holder or

3) The recipient company undertook by a status change agreement, i.e. division plan to repurchase those securities at their market value at the request of those persons.

In the case referred to in paragraph 1 item 3) of this Article, the repurchase price shall be determined by the status change agreement, i.e. division plan according to the market value of such securities determined by mutatis mutandis application of Article 57 of this Act, which shall also be confirmed by the auditor in a status change audit report.

The persons referred to in paragraph 1 of this Article are entitled to seek, within a term of 30 days from the day of publication of the notification referred to in Article 495 of this Act, that the competent court, in a non-contentious proceeding, determines the repurchase price of the relevant securities, if they deem the value thereof determined in the status change agreement, i.e. division plan to be inadequate.

Liability for Damage

Article 514

The directors, i.e. members of the supervisory board, if the company has a two-tier management system, of a company participating in a status change are jointly and severally liable to the members, i.e. stockholders of that company for the damage caused intentionally or by gross negligence during the preparation and implementation of the status change.

An action for the compensation damages referred to paragraph 1 of this Article may be filed within a term of three years from the day of publishing of the registration of the status change in accordance with the registration act.

The persons from paragraph 1 of this Article are not liable for the damages if a controlled company is acquired by its sole member.

Part Seven A
CROSS-BORDER ACQUISITION AND MERGER OF COMPANIES

1. Definition and Basic Provisions

Cross-border Acquisition

Article 514a

Cross-border acquisition within the meaning of this Act is an acquisition involving at least two companies, of which at least one, the company referred to in Article 139 or Article 245 of this Act is registered in the territory of the Republic of Serbia and at least one, a corporation registered in the territory of another member state of the European Union or a state party to the Treaty on the European Economic Area (hereinafter: member states).

One or more of the companies referred to in paragraph 1 of this Article are acquired by another company by transferring to that company all assets and liabilities, whereby the acquired company ceases to exist without implementation of the liquidation procedure.

Cross-border Merger

Article 514b

Cross-border merger within the meaning of this Act is the merger involving at least two companies, of which at least one, the company referred to in Article 139 or Article 245 of this Act, is registered in the territory of the Republic of Serbia and at least one is a corporation registered in the territory of another member state.

Two or more companies referred to in paragraph 1 of this Article are merged by incorporation of a new company by transferring to that company all assets and liabilities, whereby the companies that

merge cease to exist without implementing the liquidation procedure.

Application

Article 514c

Cooperatives may not participate in a cross-border acquisition and merger, not even when they are established as a corporation under the law of another member state.

Companies that manage Investment funds and investment funds may not participate in a cross-border merger and acquisition.

If the provisions of this part of the Act do not stipulate otherwise, the provisions of this Act relating to the status changes of acquisitions and mergers apply mutatis mutandis to cross-border mergers and acquisitions.

2. Procedure of Implementation of Cross-border Acquisition

Joint Draft of Acquisition Contract

Article 514d

The competent bodies of the companies participating in an acquisition prepare a joint draft of the acquisition contract.

The joint draft of the acquisition contract contains in particular:

1) Legal form, business names and registered seats of all companies participating in the acquisition;

2) Data on the proportions of the exchange of shares, i.e. stocks in the transferring company for the shares, i.e. stocks in the recipient company, as well as the amount of pecuniary payment, if any;

3) Manner of takeover of shares, i.e. stocks in the recipient company and the date from which those shares, i.e. stocks give right to participate in the profit and all details related to that right;

4) Date from which the transactions of the transferring company are considered to be, for accounting purposes, transactions carried out in the name of the recipient company;

5) Expected consequences of acquisition to the employees of the transferring company;

6) Rights that the recipient company gives to members of the company that have special rights, as well as holders of other securities, i.e. measures that are proposed in relation to those persons;

7) All the special benefits granted to the members of the competent bodies of the companies taking part in the acquisition, as well as to the experts evaluating the joint draft of the acquisition contract and compiling reports on that;

8) Proposal of decision on amendments and supplements to the memorandum of association, i.e. articles of association of the recipient company;

9) If appropriate, information on procedures determining the conditions for participation of employees in decision making and exercising of other rights in the recipient company, in accordance with the regulations governing the participation of employees in decision-making;

10) Appraisal of the value of assets and the amount of liabilities transferred to the recipient company and their description, as well as the manner in which such transfer is made to the recipient company;

11) Dates of the financial statements that constitute the basis for the acquisition.

When the recipient company has all stocks, i.e. shares in the acquired company, a joint draft of the acquisition contract does not have to contain the data referred to in paragraph 2, items 2) and 3) of this Article.

Publication

Article 514e

The joint draft of the acquisition contract is published by the company on its internet page, if it has one, and delivers it to the register of business entities for publication on the internet page of that register, no later than a month before the day of the session of the general meeting at which the decision on acquisition is made.

In addition to the joint draft of the acquisition contract the following are also published:

1) Data on the registers in which the companies participating in the acquisition and the number under which these companies are inscribed in the register;

2) Notification to the creditors and minority members of the companies participating in the acquisition about the prescribed manner in which they are able to exercise their rights, as well as on the time and place where they can, without charge, inspect the documents and bylaws referred to in Article 514d of this Act;

3) Notification to members of the company, employees' representatives, i.e. employees, about the time and place where they can, without charge, inspect the document referred to in Article 514f of this Act;

4) Notification to members of the company about the time and place where they can, without charge, inspect the document from Article 514g of this Act.

Report of the Competent Body of the Company

Article 514f

A competent body of each company registered in the territory of the Republic of Serbia, which participates in the acquisition, makes the acquisition report referred to in Article 494 of this Act, no later than a month before the day of the session of the general meeting at which the decision on acquisition is adopted.

Auditor’s Report on Acquisition

Article 514g

Each individual company participating in the acquisition appoints an auditor to audit the joint draft of the acquisition contract, who makes the acquisition report, no later than one month before the day of the session of the general meeting at which the acquisition decision is made.

If the competent body of the company registered in the Republic of Serbia, which participates in the acquisition, fails to appoint the auditor referred to in paragraph 1 of this Article, at the request of the company, i.e. a member of that company, the competent court appoints the auditor in the non-contentious procedure who makes the audit report on acquisition for that company.

All companies participating in the acquisition may by mutual consent, appoint an auditor who makes a joint report on the acquisition referred to in paragraph 1 of this Article.

Exceptionally, the auditor's report on the acquisition is not made if all the members of the companies taking part in the acquisition expressly agree that this report should not be made.

The court referred to in paragraph 2 of this Article, at the joint request of all companies participating in the acquisition, appoints an auditor who makes a joint merger report on the acquisition for all the companies and sets a time limit in which the auditor is required to submit this report to all the companies participating in the acquisition.

The auditor draws up the acquisition report in writing, which contains an opinion on whether the proportions in accordance with which the exchange of shares, i.e. stocks is fair and appropriate, as well as the reasoning within which it is obliged to specify in particular:

1) Which are the value appraisal methods applied when determining the proposed proportions of the exchange of shares, i.e. stocks, and which weights are assigned to the values obtained by applying those methods;

2) Whether the applied methods and weights assigned to the values obtained by applying these methods are appropriate to the circumstances of the case, and what the proportion of the exchange of shares would have been if different weights were assigned;

3) Which circumstances made it difficult to assess the value and conduct the audit, if any.

Adoption at the General Meeting

Article 514h

The general meeting of each of the participating companies in the acquisition, after acquaintance with the reports from Art. 514f and 514g of this Act, as well as with the opinion of the representatives of employees on the report referred to in Article 514f of this Act, if delivered, decides on the adoption of a joint draft of the acquisition contract.

The general meeting of each of the companies participating in the acquisition has the right to condition the implementation of acquisition by urgent making of an agreement on the manner of participation of employees in decision making in the recipient company.

When the company being acquired is registered in the Republic of Serbia, and in the process of acquisition participate the companies that have registered seat in other member states where there is no legal possibility to conduct court procedures for examining the proportion of the exchange of shares, i.e. stocks, as well as court procedures related to the exercise of special rights of stockholders, i.e. members of the company that do not prevent the registration of the acquisition, the acquisition procedure shall be carried out only if the general meetings of these companies expressly accept the possibility of conducting such procedures in the Republic of Serbia.

The court decision referred to in paragraph 3 of this Article is binding the recipient company and all its members.

A joint draft of the acquisition contract is considered to be an acquisition contract when adopted by the general meetings of all the companies participating in the acquisition.

Notarized Legal Instrument which Precedes the Registration of Acquisition

Article 514i

At the request of the company registered in the territory of the Republic of Serbia which participates in the acquisition, a notary public, in accordance with the law governing the public notation, issues a notarized legal instrument that all transactions and activities related to the acquisition have been carried out in accordance with the provisions of this Act, i.e. that all the prescribed conditions for acquisition have been met.

The notary public is authorized to request from the company referred to in paragraph 1 of this Article all data, legal instruments and other documents, as well as to undertake all other activities for checking the fulfillment of the conditions for acquisition.

In the case of court proceedings referred to in Article 514h, paragraph 3 of this Act, the notary public is obliged to state in the notarized legal instrument referred to in paragraph 1 of this Article that these court proceedings are pending.

Registration of Acquisition

Article 514j

If the recipient company is registered in the Republic of Serbia, the registration of the acquisition is

carried out in accordance with the registration act, provided that the following documents are also submitted for this registration: the notarized legal instrument referred to in Article 514i of this Act and the certificate of the competent authority of the other member state in which the company participating in the acquisition is registered on the fulfillment of the conditions for cross-border acquisition in accordance with the law of that state. Both documents may not be older than six months from the day of their issuance.

The register of business entities is obliged to submit without delay a notification of the registration referred to in paragraph 1 of this Article to the competent authority of the other member state in which the company participating in the acquisition is registered.

If the transferring company is registered in the Republic of Serbia, the registration of deletion of such company from the register of business entities is carried out in accordance with the registration act, provided that the registration of deletion may not be performed before the receipt of the notification of the executed registration of the acquisition by the authority responsible for registration in the member state in which the recipient company is registered.

If the recipient company is registered in the Republic of Serbia, the acquisition enters into force on the day of registration of the acquisition in the register of business entities.

If the transferring company is registered in the Republic of Serbia, the acquisition enters into force according to the law of the state in which the recipient company is registered.

Legal Consequences of the Acquisition

Article 514k

The legal consequences of the acquisition referred to in Article 505 of this Act give effect on the day of the coming into force of the acquisition.

If, for the transfer of assets and liabilities from a transferring company to the recipient company in accordance with the regulations of the member states in which the participating companies in the acquisition are registered, it is necessary to fulfill the special conditions, i.e. proceedings and procedures in order for that transfer to produce a legal effect towards the third parties, those conditions, i.e. proceedings and procedures are fulfilled by the recipient company.

Simplified Acquisition Procedure

Article 514l

When a recipient company registered in the territory of the Republic of Serbia participates in a cross-border acquisition and is the only member of the transferred company, the general meeting of the recipient company does not pass a decision on the adoption of the joint draft of the acquisition contract, and the joint draft of the acquisition contract does not contain the data referred to in Article 514d paragraph 2, items 2) and 3) of this Act.

In the case referred to in paragraph 1 of this Article, the auditor’s report on the acquisition referred to in Article 514g of this Act is not made.

When in a cross-border acquisition participates a recipient company registered in the territory of the Republic of Serbia which has at least 90% of the shares or stocks in the transferring company, but not all the shares, i.e. stocks and other securities that grant voting right, the general meeting of the recipient company does not pass a decision on the adoption of the joint draft of the acquisition contract, except in the case referred to in Article 501, paragraph 1, item 3) of this Act, and the transferred company is neither obliged to draw up a report of the competent body of the company referred to in Article 514f of this Act, nor the auditor’s report on the acquisition referred to in Article 514g of this Act.

Participation of Employees in Decision-Making

Article 514m

The employees in companies participating in the cross-border acquisition have the right to participate in decision-making in the recipient company registered in the territory of the Republic of Serbia, in accordance with the regulations governing the participation of employees in decision-making.

The employees of the transferred company registered in the territory of the Republic of Serbia have the right to participate in decision-making in the recipient company registered in the territory of another member state in accordance with the regulations referred to in paragraph 1 of this Article.

Nullity of Acquisition Registration

Article 514n

After the entry into force of the registration of the acquisition, if the recipient company is registered in the Republic of Serbia, the registration of the acquisition cannot be pronounced as null and void.

Mutatis Mutandis Applicability

Article 514o

The provisions of this part of the Act on cross-border acquisitions apply mutatis mutandis to cross-border mergers.

Part eight
COMPULSORY REPURCHASE OF STOCKS AND RIGHT TO SELL STOCKS

Conditions for Compulsory Repurchase

Article 515

At the proposal of a stockholder who holds the stocks accounting for at least 90% of the share capital of the company and who has at least 90% of votes of all stockholders holding common stocks (redeemer), the general meeting renders a decision on compulsory repurchase of all stocks of the remaining stockholders of the company,regardless of the encumbrances, prohibitions of disposal, restrictions and rights of third parties to those stocks, with the payment of the price determined by mutatis mutandis application of the provisions of this Act regarding payment to dissenting stockholders.

The stocks held by the persons affiliated to the redeemer are deemed to be the stocks held by the redeemer in terms of paragraph 1 of this Article, provided that those persons have been affiliated to the redeemer for a period of at least one year prior to the adoption of the decision on compulsory repurchase.

Determination and Payment of the Price

Article 516

The Company is obliged to determine in the decision on compulsory repurchase the price of stocks that are the subject of the repurchase, in accordance with Article 475 of this Act.

The price of stocks referred to in paragraph 1 of this Article is determined according to the value of the stocks on the day that does not precede for more than three months the day the decision on compulsory repurchase was passed, without taking into account any expected increase or decrease in value as a result of that decision.

Exceptionally, if, as a consequence of making a decision on compulsory repurchase, the special benefits of individual shareholders to which they were entitled cease, that fact is taken into account when determining the market value of stocks.

The Company is obliged to submit this decision to the register of business entities for registration within three working days from the day of passing of the decision referred to in paragraph 1 of this Article.

The Company is obliged to, within three working days from the day of registration, submit the decision referred to in paragraph 1 of this Article to the Central Registry, otherwise the decision on compulsory repurchase ceases to be valid.

The redeemer is obliged to deposit the funds for the payment of the price of stocks from paragraph 1 of this Article within three working days from the day of delivery of the decision on compulsory repurchase of stocks to a special account opened for this purpose, as well as to submit proof thereof to the Central registry.

In case the redeemer fails to comply with paragraph 6 of this Article, the decision on compulsory repurchase ceases to be valid.

The manner and the time limit for payment of the price and transfer of stocks on the basis of compulsory repurchase is performed in accordance with the rules of operation of the Central Registry.

The transferred stocks referred to in paragraph 8 of this Article are entered into the account of the redeemer without encumbrances, prohibition of disposal, restrictions and rights of third parties to those stocks.

Files for the Session of the General Meeting

Article 517

The board of directors, i.e. supervisory board, if the company has a two-tier management system, shall submit to the stockholders for the session of the general meeting at which a decision on compulsory repurchase is rendered, the following documents:

1) Notification of the method of determining the price of stocks subject to compulsory repurchase in accordance with Article 475 of this Act;

2) All values of such stocks determined in accordance with Article 475 of this Act;

3) Annual financial statements and annual operations' reports, as well as consolidated annual reports on the operations, if any, for the last three business years.

The notification referred to in paragraph 1 of this Article shall also include an indication of the right of stockholders whose stocks are subject to repurchase to payment of the price determined in accordance with Article 516 of this Act, the right to challenge decisions of the general meeting, as well as the right to demand that the competent court examines the appropriateness of the consideration in accordance with Article 521 of this Act, notwithstanding the method of voting on the decision on compulsory repurchase.

Voting on the Decision on Compulsory Repurchase

Article 518

The provisions of this Act governing the voting of the stockholders with preferred stocks within their class do not apply at the occasion of voting on the decision on compulsory repurchase.

Article 519

(Deleted)

Contesting the Decision on Compulsory Repurchase

Article 520

Notwithstanding the provisions of this Act governing the annulment of decisions of the resolutions of the general meeting, the deadline for filing an action contesting the decision on compulsory repurchase amounts to 30 days from the day the decision was passed.

The decision on compulsory repurchase may not be contested due to inappropriateness of the price of stocks that are subject to compulsory repurchase.

Assessment of the Appropriateness of the Price by a Court

Article 521

Each stockholder of a company whose stocks are subject to compulsory repurchase who deems that the price determined by the company in accordance with Article 516 of this Act was not determined in accordance with this Act, may, within 30 days from the day of registration of the decision on compulsory repurchase, demand that a competent court, in a non-contentious procedure, determines the value of those stocks in keeping with this Act.

If the value determined in the decision of the court is higher than the price determined by the company, the redeemer is obliged to deposit the difference with the relevant statutory default interest calculated from the day of rendering of the decision on compulsory repurchase to the account referred to in Article 516 paragraph 6 of this Act within 30 days from the day of finality of the court's decision, for the purpose of payment of the difference in price to all stockholders whose stocks were the subject of compulsory repurchase.

If the redeemer fails to deposit the difference in accordance with paragraph 2 of this Article, the company becomes jointly and severally liable for the payment of such difference.

Right to Sell Stocks

Article 522

A controlling stockholder who acquires the stocks representing at least 90% of the share capital of the company and who has at least 90% of votes of all stockholders holding common stocks, is obliged to purchase the stocks from each of the remaining stockholders of the company at their written request.

A controlling stockholder who, on the day of filing of the written request, holds at least 90% of the share capital of the company and has at least 90% of votes of all stockholders holding common stocks, has the obligation defined in paragraph 1 of this Article.

The request from paragraph 1 of this Article contains the type, class and number of stocks that are the subject of sale and is submitted to the company, whereby it is deemed that the request has been served on the controlling stockholder as well.

The price at which the controlling stockholder is obliged to purchase the stocks referred to in paragraph 1 of this Article is determined by mutatis mutandis application of the provisions of this Act on the price paid out to dissenting shareholders.

The company is obliged, within 60 days from the day of receipt of the request referred to in paragraph 1 of this Article, to determine the price referred to in paragraph 4 of this Article by mutatis mutandis application of Article 475 of this Act and to notify thereof the controlling stockholder and the stockholder who filed the request, within the same time limit.

If, within the time limit referred to in paragraph 5 of this Article, the company fails to determine the price at which the controlling stockholder is obliged to purchase the stocks referred to in paragraph 1 of this Article, and fails to notify thereof the stockholder who filed the request, the stockholder who filed the request may, within 30 days from the expiration of the time limit from paragraph 5 of this Article, request from the competent court to determine that price in the non-contentious procedure.

The controlling stockholder is obliged to, within 30 days from the day of receiving the notification referred to in paragraph 5 of this Article, make the payment of the determined value of stocks to the stockholder who filed the request, whereby the transfer of stocks to the controlling stockholder is performed.

If the controlling stockholder fails to make a payment of the determined value of the stocks to the shareholder who filed the request within the time limit referred to in paragraph 7 of this Article, the stockholder who filed the request may, within 30 days from the day of expiration of the time limit referred to in paragraph 7 of this Article, file an action with the competent court for the purpose of payment.

The stockholder who filed the request, who deems that the value determined by the company was not determined in accordance with this Act, may, within 30 days from the day of receipt of the notification referred to in paragraph 5 of this Article, demand that a court, in a non-contentious proceeding, determines such value of stocks, in accordance with Article 475 of this Act.

If, acting upon the request of the stockholder who filed the request referred to in paragraph 9 of this Article, the court determines the value of stocks in the amount which is higher than the price determined by the company, the controlling stockholder is obliged to additionally pay the difference up to the so determined value to the stockholder who filed the request within 30 days from the day of finality of the court's decision, with the statutory default interest starting from the expiry of the time limit for payment referred to in paragraph 7 of this Article.

If the controlling stockholder fails to act in accordance with paragraph 10 of this Article, the company becomes jointly and severally liable for the obligation of the controlling shareholder which is defined in paragraph 10 of this Article.

The request of the stockholder whose stocks were sold to the controlling stockholder regarding payment of the difference defined in paragraph 10 of this Article becomes statute barred within three years from the day of finality of the court decision referred to in paragraph 10 of this Article.

The manner and time limit for payment of the price and transfer of stocks based on the right to sell stocks is performed in accordance with the rules of operation of the Central Registry.

Exception with Regard to Price of Stocks in Case of a Takeover Bid

Article 523

Notwithstanding Art. 515 and 516 of this Act, the redeemer who has, via a takeover bid, met the condition from Article 515 paragraph 1 of this Act, is entitled to, within three months from the day of expiry of the takeover bid, submit to the Central Registry the request for compulsory repurchase of stocks under the terms from the takeover bid.

In cases referred to in paragraph 1 of this Article, the remaining stockholders are entitled to sell their stocks in accordance with Article 522 of this Act, under the terms from the bid, within a term of three months from the day of expiry of the takeover bid.

Upon the expiry of the term referred to in para. 1 and 2 of this Article, the determination of the price of stocks during the exercise of the right to compulsory repurchase and of the right to sell stocks, is conducted in accordance with Art. 515 and 516 of this Act.

Part nine
LIQUIDATION OF A COMPANY

1. Concept and Initiation of Liquidation

Concept

Article 524

The liquidation of a company may be conducted when the company has sufficient assets to settle all of its liabilities.

Decision on Liquidation

Article 525

The liquidation of a company is initiated by:

1) A unanimous decision of all partners, i.e. general partners, unless the memorandum of association stipulates otherwise;

2) A resolution of the general meeting of a limited liability company, in accordance with Article 211 of this Act;

3) A resolution of the general meeting of stockholders, in accordance with Article 358 of this Act.

Registration and Publication

Article 526

The liquidation of a company commences as of the day of registration of the decision on liquidation and by publication of an advertisement on the initiation of liquidation, in accordance with the registration act.

Pending Proceedings and Initiating Bankruptcy

Article 527

Initiation of liquidation neither prevents imposing or implementing enforcement against a company in liquidation, nor conducting other proceedings against or for the benefit of the company in liquidation.

Initiation of liquidation does not bear effect on the submitted motion to initiate bankruptcy filed in accordance with the law governing bankruptcy, whilst the creditors of the company being liquidated may file a motion to initiate bankruptcy even during liquidation for reasons prescribed by the law governing bankruptcy.

Payment Restrictions to Members of a Company in Liquidation

Article 528

During the course of liquidation of a company, neither is a share in profit paid out, i.e. dividends, nor are the assets of the company distributed to the members of the company before all creditors'

claims have been settled.

2. Liquidator

Liquidator

Article 529

A company appoints a liquidator in the decision on initiating liquidation.

Upon the appointment of a liquidator, the representation rights of all representatives of the company terminate.

If the company fails to appoint a liquidator in the manner laid down in paragraph 1 of this Article, all legal representatives of the company are becoming liquidators.

A company may have several liquidators.

If a company has several liquidators, they represent the company jointly, unless otherwise stipulated by the decision on their appointment.

Dismissal and Resignation of a Liquidator

Article 530

A liquidator may be dismissed by a decision rendered in accordance with Article 395 of this Act, and a new liquidator shall be appointed by the same decision.

A liquidator may resign in accordance with Article 396 of this Act which regulates the resignation of the company director.

Registration of a Liquidator

Article 531

The appointment, dismissal and resignation of a liquidator are registered in accordance with the registration act.

In the case referred to in Article 529 paragraph 3 of this Act, the registration of a liquidator is made *ex officio* in accordance with the registration act.

Authorizations of a Liquidator

Article 532

A liquidator represents the company in liquidation and is responsible for the legality of the company's operations.

A liquidator may undertake the following activities:

1) Take actions aimed at completing the transactions begun prior to the commencement of the liquidation;

2) Take actions required for conducting the liquidation such as the sale of property, payments to the creditors and collection of claims;

3) Perform other tasks necessary for the implementation of the liquidation of the company.

3. Notice to Creditors and Filing of Claims

Advertisement on Initiation of Liquidation

Article 533

An advertisement on initiation of liquidation referred to in Article 526 of this Act is published for a period of 90 days on the internet page of the business entities register and particularly includes:

1) Invitation to creditors to file their claims;

2) Address of the company’s seat, i.e. mailing address referred to in Article 20 of this Act to which the creditors send their claims;

3) Warning that the creditors' claims shall be precluded if the creditors fail to file them at the latest within a term of 30 days from the day of expiry of the period of duration of the advertisement referred to in paragraph 1 of this Article.

If, during the period of duration of the advertisement on the initiation of liquidation, the company changes the address of its seat or the mailing address, the term of 90 days referred to in paragraph 1 of this Article restarts as of the day of registration of that change in accordance with the registration act, and all filings of claims received up to then are deemed duly made.

If, during the term for filing of creditors' claims referred to in paragraph 1, item 3) of this Article, the company changes the address of its seat, or the mailing address, that deadline restarts as of the day of registration of that change in accordance with the registration act, and all filings of claims received up to then are deemed duly made.

Individual Notice to Known Creditors

Article 534

Liquidator shall also send a written notice of the initiation of liquidation of the company to known creditors who file the claim under this Act, at the latest within a term of 15 days from the day of commencement of the liquidation of the company.

The notice referred to in paragraph 1 of this Article particularly includes:

1) Data on the day of publication and the period of duration of the advertisement on initiation of the liquidation;

2) Address of the company's seat, i.e. mailing address referred to in Article 20 of this Act, to which the creditor files his claim;

3) Warning that the creditor's claim shall be precluded if the creditor fails to file it at the latest within a term of 30 days from the day of expiry of the period of duration of the advertisement on initiation of the liquidation.

If, during the period of duration of the advertisement on initiation of liquidation or during the term for filing of creditors' claims referred to in paragraph 1 item 3) of this Article, a company changes the address of its seat or its mailing address, the liquidator shall re-send the notice referred to in paragraph 1 of this Article, within a term of 15 days from the day of registration of that change in accordance with the registration act, to known creditors which, until such time, have not filed their claims.

Creditors, whose claim is established by an enforceable document, and creditors in the regard to whose claim a civil action has initiated against the company prior to commencement of the liquidation, are under no obligation to file the claims, and their claims are considered filed in accordance with this Act.

Filing of Claims

Article 535

A company shall enter all received filings of claims, as well as the claims from Article 534 paragraph 4 of this Act, into the list of filed claims, and to compile a list of recognized and disputed claims.

A company may, within a term of 30 days from the day of receipt of the filed claim, contest the creditor's claim, in which case it shall notify the creditor thereof, within the same term, with explanation of the reasons for contesting the claim.

A company may not contest the claims of creditors whose claims were established by an enforceable document.

If a creditor whose claim is challenged fails to initiate a proceeding before the competent court within a term of 15 days from the day of receipt of the notice that the claim is contested, and to notify thereof the company, in writing, within the same deadline, that claim is deemed precluded.

If the creditor, up to the moment of receipt of the notice that the claim is contested, has already initiated a proceeding against the company regarding that claim before a competent court, the creditor is under no obligation to initiate a new proceeding upon receipt of the notice that the claim is contested.

Claims incurred after initiation of liquidation are not filed and must be settled before the completion of liquidation.

4. Liquidation Balance Sheets and Reports, Terminating Liquidation and Initiating Bankruptcy

Initial Liquidation Balance Sheet and Initial Liquidation Report

Article 536

The liquidator compiles an initial liquidation balance sheet as an extraordinary financial statement in accordance with the regulations governing accounting and audit within a term of 30 days from the day of commencement of liquidation, and within the same deadline submits it to the partners, general partners, i.e. general meeting for adoption.

The partners, general partners, i.e. general meeting shall render a decision on adoption of the initial liquidation balance sheet at the latest within a term of 30 days from the day it was submitted to them for adoption.

The liquidator also prepares an initial liquidation report which includes the following:

1) List of filed claims;

2) List of recognized claims;

3) List of challenged claims with explanation of reasons for challenging;

4) Information on whether the assets of the company are sufficient for settling all liabilities of the company, including the challenged claims;

5) Necessary actions for the conduct of the liquidation;

6) Time envisaged for the completion of liquidation;

7) Other facts of relevance for the conduct of liquidation.

The liquidator compiles the initial liquidation report not earlier than 90 days, and not later than 150 days from the day of commencement of the liquidation and submits it within the same deadline to the partners, general partners, i.e. general meeting for adoption.

The partners, general partners, i.e. general meeting shall pass a decision on adoption of the initial liquidation report at the latest within a term of 30 days from the day when it was submitted to them for adoption.

The adopted initial liquidation report is registered in accordance with the registration act,within 15 days from the day of adoption.

The liquidator may neither commence with payments to satisfy the creditors, nor with payments to the company members prior to the registration of the initial liquidation report, save for payments of liabilities arising from the company's daily operations.

Annual Liquidation Reports

Article 537

In the course of liquidation, the liquidator submits annual liquidation reports on his actions, with explanation of reasons why the liquidation proceeds without completion, to the partners, general partners, i.e. general meeting of the company for adoption, at the latest within six months upon expiry of each business year.

The annual liquidation reports are registered in accordance with the on registration act,within 15 days from the day of adoption.

Termination of Liquidation

Article 538

In the course of liquidation, a company may terminate the liquidation and resume its operations by a decision of the partners, general partners, i.e. general meeting.

The decision referred to in paragraph 1 of this Article is rendered by a majority laid down for the adoption of a decision to liquidate.

The decision to terminate the liquidation may be rendered only in case the company has fully satisfied all creditors, regardless of whether the claims of such creditors were contested or recognized, provided that it has neither cancelled the employment contract to any employee on the grounds of liquidation, nor commenced with payments to company members.

The appointment of a legal representative of the company constitutes an integral part of the decision to terminate the liquidation.

Statements by the liquidator that all creditors have been satisfied in full and that the company has not commenced with payments to the company members also constitute an integral part of the decision to terminate the liquidation.

If a company has several liquidators, they jointly provide the statement referred to in paragraph 5 of this Article.

The decision to terminate the liquidation proceedings is registered in accordance with the registration act.

In the event of termination of liquidation, the claims of the creditors who have not filed their claims and creditors whose claims have been challenged but failed to initiate the proceeding before the competent court within the deadline set in Article 535 paragraph 4 of this Act, shall not be deemed precluded in terms of this Act.

Initiation of Bankruptcy Proceeding due to Insolvency

Article 539

If on the basis of the initial liquidation balance sheet or the initial liquidation report it is established that the assets of the company are insufficient for settling all claims of creditors (insolvency), the liquidator shall file a motion with the competent court to initiate bankruptcy, within a term of 15 days as of the day of compilation of the initial liquidation balance sheet, i.e. initial liquidation report.

In the case referred to in paragraph 1 of this Article, the liquidator may not settle the creditors' claims, save for the claims incurred in the course of the company's daily operations until the day of

initiation of the bankruptcy proceeding.

Documents Compiled upon Satisfaction of Creditors

Article 540

After satisfaction of creditors, the liquidator compiles the following:

1) Closing liquidation balance sheet;

2) Report on completed liquidation;

3) Written statement that he had sent a notification to all known creditors in accordance with Article 534 of this Act, as well as that all liabilities of the company originating from filed claims and claims that are considered filed in terms of Article 534 paragraph 4 of this Act, are fully settled and that no other proceedings are ongoing against the company;

4) Draft decision on the distribution of the company's liquidation surplus.

The closing liquidation balance sheet is compiled and registered in accordance with the regulations governing accounting and audit.

Partners, general partners, i.e. general meeting approves the documents referred to in paragraph 1 of this Article by a decision on completion of liquidation in the manner prescribed in Article 525 of this Act.

A company may not render a decision on concluding the liquidation before final conclusion of all proceedings which might result in any kind of liability of the company and settlement of all such liabilities.

5. Completion of Liquidation and Liability for Damages

Distribution of Liquidation Surplus

Article 541

The assets of the company in liquidation which remain after the settlement of all liabilities of the company (liquidation surplus) are distributed to the members of the company in accordance with a decision on the distribution of the company's liquidation surplus.

Unless otherwise prescribed by the memorandum of association, i.e. articles of association or by a unanimous decision of the partners, general partners, i.e. general meeting, the distribution referred to in paragraph 1 of this Article is made as follows:

1) To the partners, general and limited partners and members of a limited liability company pro rata to their shares in the company;

2) To the stockholders with preferred stocks holding a priority right in relation to liquidation surplus, and after their satisfaction, to the stockholders with common stocks pro rata to the share of their stocks in the total number of common stocks in the company.

The limited partners, members of a limited liability company and the stockholders who received payments in good faith during liquidation shall return the received amounts if so required for the satisfaction of the company's creditors.

In the event of a dispute among the members of the company on the distribution of liquidation surplus, the liquidator stays that distribution until the final completion of the dispute.

Liquidator’s Remuneration

Article 542

The liquidator is entitled to reimbursement of costs he incurred during the conduct of the liquidation,

as well as to payment of remuneration for his work. The remuneration for work and the amount of costs incurred during liquidation are determined by the partners, limited partners, i.e. general meeting, and in the event of a dispute or when the company fails to determine so, the liquidator may seek from the competent court to determine in non-contention proceeding the amount of remuneration and compensation of costs.

With regards to the claims referred to in paragraph 1 of this Article, the liquidator is considered to be a creditor of the company in liquidation.

Completion of Liquidation

Article 543

Liquidation is completed by the adoption of the decision on completion of liquidation, referred to in Article 540 paragraph 3 of this Act.

Once the liquidation is completed, the company is deleted from the business entities register in accordance with the registration act,and in the case of a joint stock company, the deletion is done after the submission of the request to the Central Registry for deletion of financial instruments from the register.

If the partners, general partners, i.e. general meeting of the company fail to render the decision on the adoption of the documents referred to in Article 540 paragraph 1 items 2), 3) and 4) of this Act within a term of 60 days from the day of submission of those documents by the liquidator for adoption, such decision may be superseded by the liquidators' statement on the failure to adopt these documents.

The ledgers and documents of the company which has been deleted as a result of the completed liquidation are kept in the manner to be available on the territory of the Republic of Serbia in accordance with the regulations governing the archives, and the name and address of a person who must have a domicile, i.e. seat in the territory of the Republic of Serbia, to whom the ledgers and documents are entrusted to for safekeeping, are registered in compliance with the registration act.

If the decision on the name and address of the person from paragraph 4 of this Article is not adopted by partners, general partners, i.e. general meeting, such a decision may be superseded by a written statement of the liquidator on such persons’ name and address.

Interested parties are entitled to inspect, at their own cost, the ledgers and documents of the deleted company.

If, after the deletion of the company from the register, certain actions need to be taken with respect to the assets of the company dissolved by deletion, or other actions that should have been taken during the liquidation, an interested party may seek from the competent court to designate, in a non-contentious proceeding, a liquidator authorized to take such actions.

Liability of the Liquidator for Damages

Article 544

A liquidator is liable for damage he incurs in performing his duty to the members of the company and creditors of the company.

The claim referred to in paragraph 1 of this Article becomes statute barred within a term of three years from the day of deletion of the company from the register.

Liability of Company Members upon Completion of Liquidation

Article 545

The partners and general partners are bound by limitless joint and several liability for the obligations of the company in liquidation even after the deletion of the company from the business entities

register.

The limited partners, members of a limited liability company and the stockholders of a joint stock company are jointly and severally liable for the obligations of the company in liquidation even after the deletion of the company from the business entities register, up to the amount received from the liquidation surplus.

Creditors' claims from paragraphs 1 and 2 of this Article become statute barred within a term of three years from the day of deletion of the company from the register.

6. Compulsory Liquidation

Reasons for Initiating the Proceeding

Article 546

Compulsory liquidation is initiated if:

1) A following measure has been imposed against a company by a final ruling:

(1) Prohibition of conducting business and the company fails to initiate liquidation within 30 days from the day of finality of such ruling;

(2) Prohibition of conducting registered business activity, and the company fails to register the deletion, i.e. change of that activity or fails to initiate liquidation within 30 days from the day of finality of such ruling;

(3)Revocation of a permit, license or approval for the performance of a registered business activity, and the company does not register the deletion, i.e. change of that activity or does not start liquidation within 30 days from the day of finality of that ruling;

2) Within 30 days from the day of expiry of the period of duration for which the company is incorporated, the company fails to register an extension of the period of duration of the company, or fails to initiate liquidation within the same time limit;

3) Only one partner remains in a general partnership in case of death of the partner, and none of the heirs of the deceased partner in accordance with the Article 119 of this Act gets inscribed in the register as the member of the company within three months from the day of final conclusion of the probate proceedings, i.e. a general partnership is left with one partner due to other reasons, and the missing member fails to accede to the company within three months from the day the status of the partner terminated, or the company fails to change its legal form within the same time limit, or fails to initiate the liquidation within that time limit;

4) In case of the death of the general partner, the limited partnership remains without general partners, and none of the heirs of the deceased general partner in accordance with Article 137 of this Act does not get registered in the register as a member of the company within three months from the day of the final settlement of the probate proceedings, i.e. the limited partnership is for other reasons left without general partners or limited partners, and the missing member does not accede to the company within three months from the day of termination of the status of the member, or within that time limit the company does not change the legal form or does not start liquidation within the same time limit;

5) A final judgment established the nullity of the registration of the company's incorporation in accordance with the registration act, or nullity of the company's memorandum of association in accordance with Article 14 of this Act;

6) A final judgment instructed the dissolution of the company in accordance with Arts. 118, 138, 239, and 469 of this Act, and the company fails to initiate the liquidation within 30 days from the date of finality of the judgment;

7) A company is left without legal or temporary representative, but fails to register a new one within three months from the day of deletion of the legal i.e. temporary representative from the business entities register;

8) A company in liquidation is left without the liquidator, and fails to register a new one within a three months from the day of deletion of the liquidator from the business entities register;

9) The adopted initial liquidation report is not submitted to the business entities register in accordance with Article 536 paragraph 6 of this Act;

10) A company fails to submit to the competent register the annual financial statements up to the end of the previous business year for the two consecutive business years that precede the year in which the financial statements are submitted;

11) A company fails to submit to the competent register the initial liquidation balance sheets in accordance with the law governing accounting;

12) In other cases prescribed by law.

Initiation of an Compulsory liquidation Proceeding

Article 547

Before initiation of the procedure of compulsory liquidation, the registrar maintaining the business entities register publishes a notification on the internet page of that register about the company which fulfills the conditions for compulsory liquidation referred to in Article 546 of this Act with a call to that company to remove the stated conditions which are removable in line with this Act within 90 days from the publishing of the notification and register the changes of corresponding data in accordance with the registration act.

Upon the expiration of the time limit referred to in paragraph 1 of this Article, the registrar who keeps the register of business entities in cases referred to in Article 546 of this Act, ex officio, issues an act on the initiation of a compulsory liquidation procedure by which the company translates into the status "in compulsory liquidation" and at the same time publishes an announcement about the compulsory liquidation on the internet page of the register of business entities for an uninterrupted duration of 60 days.

The announcement referred to in paragraph 2 of this Article includes:

1) Date of publication of the announcement;

2) Business name and registration number of the company;

3) Reason for compulsory liquidation;

In addition to the business name of the company referred to in paragraph 2 of this Article, the following designation is added: "in compulsory liquidation".

Status of a Company in Compulsory Liquidation Procedure

Article 547a

From the day of publication of the announcement of compulsory liquidation, the bodies of the company continue to operate, but the company may not undertake new transactions, hence it may only complete the commenced transactions, including the satisfaction of matured receivables, as well as payments for the company's current obligations, and liabilities towards its employees.

During the compulsory liquidation of the company, no participation in profit i.e. dividend is paid out, and no company's assets are distributed to members of the company before the company is removed from the register.

From the day of the initiation of the procedure of compulsory liquidation, all judicial and administrative proceedings in relation to the company which is in the process of compulsory liquidation are suspended.

The suspended proceedings referred to in paragraph 3 of this Article may be continued after the deletion of the company from the register, at the request of the members, i.e. creditors of the deleted company in accordance with Article 548 of this Act.

As of the day of publication of the announcement of compulsory liquidation, the company may not register changes of data in the register of business entities.

Finalization of the Compulsory Liquidation Procedure

Article 547b

After the expiration of the time limit referred to in Article 547, paragraph 2 of this Act, the registrar keeping the register of business entities, in the further time limit of 30 days, ex officio passes an act on deleting the company and deletes the company from the register, in accordance with the registration act.

Consequences of the Company's Deletion from the Register in the Event of Compulsory liquidation

Article 548

The assets of a deleted company become the assets of company members pro rata to their shares in the company's capital, and in the case of a general partnership with no capital, it is evenly distributed among the partners.

The company members regulate their relations regarding the assets referred to in paragraph 1 of this Article contractually, whereas each shareholder may seek from the competent court to divide those assets in a non-contentious proceeding.

After deletion of the company from the register of business entities, the members of the deleted company are liable for the obligations of the company in accordance with the provisions of Article 545 of this Act that regulates the liability of company members in the event of liquidation.

Notwithstanding paragraph 3 of this Article, the controlling member of a limited liability company and the controlling stockholder of a joint stock company are jointly and severally liable, without limits, for the company's obligations, even after the company is deleted from the register.

The claims of the company's creditors towards the members of the company referred to in paragraph 4 of this Article become statute barred within a term of three years as of the day of company’s deletion from the register.

Part ten
LINKING OF COMPANIES

1. Basic Rules

Ways of Linking Companies

Article 549

Companies may be linked via:

1) Interest in the share capital or partnership shares (companies linked by capital);

2) Contract (companies linked by contract);

3) Both capital and contract (mixed linked companies).

It is banned to link companies contrary to the regulations that govern the protection of competition.

Types of Linked Companies

Article 550

By linking in terms of Article 549 of this Act, companies form:

1) A group of companies (concern);

2) A holding;

3) Companies with mutual interest in capital.

Group of Companies

Article 551

A group of companies exists when a controlling company, apart from managing its subsidiaries, performs also other activities.

A group of companies consists of:

1) A controlling company and one or more controlled companies managed by the controlling company (factual group) or

2) A controlling company and one or more controlled companies that have entered into a contract on control and management (contractual group) or

3) Companies which are not in a mutually dependent position and are managed in a uniform manner (group based on equality).

Holding Company

Article 552

A holding company is a company that controls one or more companies and whose exclusive activity is the management and financing of such companies.

Companies with Mutual Interest in Capital

Article 553

Companies with mutual interest in capital are the companies where each of these companies holds a substantial interest in the capital of the other company.

2. Contracts on Control and Management

2.1. Concept, Conclusion, Amendments and Termination

Concept

Article 554

A contract on control and management is a contract whereby a company grants the management and conduct of operations to another company.

If the companies making up a group based on equality in terms of Article 551 paragraph 2 item 3) of this Act enter into a contract introducing uniform manner of management, such a contract is not be deemed to be a contract on control and management in terms of this Act.

Concluding the Contract

Article 555

A contract on control and management is concluded in writing and must be approved by the general meeting of each company that concluded it, by a three- fourths majority of votes of the attending stockholders, unless a higher majority is laid down by the articles of association.

In the case of a general partnership or a limited partnership, the contract on control and management is approved by all partners, i.e. general partners, unless otherwise stipulated by the memorandum of association.

The board of directors, i.e. supervisory board, if the company has a two-tier management system, compile a report for the general meeting at the occasion of submission of the contract on control and management to the general meeting for approval, wherein they shall also state the financial data and the data on the operation of the companies with whom the contract should be concluded.

In the report referred to in paragraph 3 of this Article, the legal and economic reasons for concluding the contract and its content are elaborated, also including the amount of remuneration for management, i.e. the method of its determination.

The report referred to in paragraph 3 of this Article may be prepared as a joint report for all companies concluding the contract.

The contract on control and management is registered in accordance with the registration act, and may not enter into force before the day of registration.

An advertisement on the conclusion of the contract on control and management is published on the internet page of the business entities register on the day of registration of such contract, in the duration of at least 90 days as of the day of publication.

Amendments and Termination of the Contract

Article 556

A contract on control and management is amended in accordance with the procedure under which it was concluded.

Unless otherwise agreed, and if the contract on control and management was concluded for an indefinite period of time, each of the contractual parties is entitled to terminate the contract only at the day of ending of a business year or other agreed accounting period, by giving a termination notice in writing to all other contractual parties at least 30 days prior to the end of the business year, i.e. other agreed accounting period.

The termination of the contract on control and management on any ground is registered in accordance with the registration act, and is published in the manner prescribed by Article 555, paragraph 7 of this Act.

The advertisement referred to in paragraph 3 of this Article shall also include a notification for the creditors on their right to seek relevant protection from the controlling company with respect to the collection of their claims towards the controlled company.

2.2. Rights, Obligations and Responsibilities Stipulated in the Contract on Control and Management

Binding Instructions

Article 557

In case of existence of a contract on control and management, a controlling company is entitled to issue binding instructions to a subsidiary on the manner of conducting operations, guided by the interests of the group.

If the implementation of a particular instruction referred to in paragraph 1 of this Article requires a decision or approval by the board of directors of a controlled company, i.e. its supervisory board if the subsidiary has a two-tier management system, and such a decision or approval has not been granted within a reasonable time, the director, i.e. executive board of the controlled company shall, without delay, notify the controlling company thereof, unless otherwise stipulated by the contract on management and control.

In the case referred to in paragraph 2 of this Article, the instruction may be re-issued only with the consent of the board of directors of the controlling company, i.e. its supervisory board if the controlling company has a two-tier management system.

Responsibility of Directors of the Controlling Company

Article 558

Directors of the controlling company shall issue the instructions to the controlled company referred to in Article 557 of this Act with due diligence, while at the same time the provisions of Art. 63 through 80 of this Act on the special duties of directors apply mutatis mutandis to the directors of the controlling company and in relation to the controlled company.

Exclusion of Liability of Directors of the Controlled Company

Article 559

Directors, i.e. members of the supervisory board are not liable for damages incurred as a consequence of breach of special duties towards the company referred to in Art. 63 through 80 of this Act if they acted in accordance with the instructions set out in Article 557 of this Act.

Liability of the Controlling Company

Article 560

The controlling company is liable for damages sustained by the controlled company due to acting in accordance with the binding instructions referred to in Article 557 paragraph 1 of this Act.

2.3. Protection of Stockholders and Creditors of the Controlled Company

Payment of Consideration

Article 561

A consideration based on a contract on control and management may not be paid if the controlled company has operated with losses.

In the case referred to in paragraph 1 of this Article, the consideration for the period during which the controlled company operated with losses may be paid in the year when the controlled company generated profit.

An interest is not calculated in case of a claim for the consideration referred to in paragraph 1 of this Article.

Appropriate Consideration to External Stockholders

Article 562

An external stockholder in terms of this Act is each stockholder of a controlled company who is neither a controlling company, nor a stockholder of the controlling company.

A contract on control and management shall define an appropriate consideration per stock which the controlling company shall pay to the external stockholders on an annual basis.

The consideration referred to in paragraph 2 of this Article is determined according to a projection of the average expected dividend per stock for the following three business years which a company would pay in case a contract on control and management would not be concluded, at least in the amount of an average dividend per stock for the previous three business years.

If the controlling company is the sole stockholder of a subsidiary, the contract on control and management does not provide for the consideration set out in paragraph 2 of this Article.

For amendments to, or termination of the contract on control and management, which change the consideration given to those stockholders, consent of those stockholders is necessary which they grant as a special class of stocks.

Court Evaluation of the Appropriateness of the Consideration

Article 563

An external stockholder of a subsidiary may, within a term of three months from the day of registration of the contract on control and management, i.e. amendments thereto, in accordance with the registration act, seek from the competent court to determine the appropriate consideration in non-contentious proceeding if he deems the consideration determined by the contract inappropriate.

If, acting pursuant to the motion referred to in paragraph 1 of this Article, the court determines a consideration in a higher amount than agreed in the contract, the controlling company is entitled to terminate the contract on control and management within a term of three months as of the day of finality of the court's ruling, without a notice period for termination.

Right to Sell Stocks

Article 564

A contract on control and management shall provide for a right of the external stockholders to sell their stocks to the controlling company at a price which corresponds to the market value of stocks determined in accordance with Article 57 of this Act.

Instead of paying the price referred to in paragraph 1 of this Article, the contract on control and management may stipulate a right to exchange stocks for the stocks of the controlling company, at the ratio provided for in the contract.

The ratio referred to in paragraph 2 of this Article shall correspond to the ratio at which the stocks of a controlled company would be exchanged for the stocks of the controlling company in case of acquisition of the controlled company by the controlling company.

In the case set out in paragraph 2 of this Article, an additional payment in cash to external stockholders may also be stipulated, which shall be subject to the provisions governing additional payment in cash in the event of status changes.

A contract on control and management which does not provide for the right referred to in paragraph 1 of this Article, or does not determine the price set out in paragraph 1 of this Article, is null and void.

Court Evaluation of the Price Appropriateness

Article 565

An external stockholder that deems the price referred to in Article 564 paragraph 1 of this Act or the ratio referred to in Article 564 paragraph 2 of this Act inappropriate may, within three months from the day of registration of the contract on control and management, i.e. its amendments, in accordance with the registration act, seek from the competent court to determine the appropriate

price, i.e. ratio in a non-contentious proceeding.

If, at the request of an external stockholder, the court determines a higher price or a more favorable ratio for external stockholders, the company shall publish on its internet page the court decision immediately upon finality, and submit it to the register of business entities for the purpose of publication on the internet page of that register.

The court decision referred to in paragraph 2 of this Article binds the company in relation to all external stockholders.

Protection of Creditors

Article 566

If a contract on control and management terminates, a controlling company shall provide the creditor of a controlled company, at his written request filed within a term of six months after the termination of that contract, with the appropriate protection for collection of his claims incurred before the registration of the termination of that contract in accordance with the registration act.

Creditors whose claims are secured, or who, in the event of bankruptcy of the controlled company, would be in the first or second rank of payment priority in terms of the bankruptcy act, are not entitled to the protection described in the paragraph above.

Part eleven
BRANCH OFFICE OF A COMPANY AND REPRESENTATIVE OFFICE OF A FOREIGN COMPANY

1. Branch Office of a Company

Concept of a Branch Office

Article 567

A company branch office (hereinafter: branch) is a separate organizational unit of a company in the territory of the Republic of Serbia through which the company performs activity in accordance with the law.

A branch does not have the capacity of a legal person, and acts on behalf and for the account of the company in legal transactions.

The company is liable, without limits, for the obligations towards third parties resulting from the operations of its branch.

Forming a Branch

Article 568

A branch is formed by a decision passed by the general meeting, i.e. partners or general partners, unless otherwise provided for in the memorandum of association, i.e. articles of association.

The decision referred to in paragraph 1 of this Article includes in particular:

1) Business name of the company and its registration number;

2) Address of the branch;

3) Predominant activity of the branch, which may differ from the company's predominant activity;

4) Personal name, i.e. business name of the branch representative and the scope his authorities, if the branch representative is not the same person as the company’s representative.

Registering a Branch

Article 569

A branch of a domestic or foreign company is registered in accordance with the registration act.

The register registers the changes of data and termination, i.e. deletion of the branch from the register, in accordance with the registration act.

Effect of Registration of a Branch Representative

Article 570

If a branch representative is registered in accordance with the registration act, such person is considered to be the representative of the entire company, and the provisions of Article 33 of this Act apply mutatis mutandis to the issues related to the effect of restrictions of authority to represent in relations with third parties.

Use of Business Name and Other Data

Article 571

In legal transactions, a branch acts under the company's business name, with an indication:

1) That it is a branch;

2) Of the branch’s address, if different from the address of the company seat;

3) Of the branch’s name, if any.

The provisions of Article 25 of this Act that relate to use of business name and other data in company’s documents apply mutatis mutandis to the use of business name and other data in branch’s documents.

The provisions of Art. 27 to 29 of this Act apply mutatis mutandis to the name of the branch.

Dissolution of a Branch

Article 572

A branch dissolves:

1) By a resolution adopted by the general meeting, i.e. partners or general partners, unless otherwise provided for in the memorandum of association or the articles of association

2) By dissolving of a company the branch is a part of,unless in the case of a status change, there is a decision of the legal successor of the founder of the branch to continue the operation of the branch.

Particularities Related to a Branch of a Foreign Company

Article 573

Branch of a foreign company is its separate organizational unit through with such company performs activity in the Republic of Serbia, in accordance with the law.

The provisions of Article 4 of this Act apply mutatis mutandis to the activities of a branch of a foreign company.

Resolution on forming of a branch from paragraph 1 of this Article contains in particular:

1) Name and address of the branch;

2) Predominant activity of the branch;

3) Personal name, i.e. business name of the branch representative and the scope of authorities of the representative;

4) Name and seat of the register in which the founder of the branch is registered;

5) Name, legal form and seat of the branch's founder;

6) Identification/registration number of the branch's founder;

7) Personal i.e. business name of the representative of the branch's founder;

8) Data on the registered capital of the founder, if such information is registered according to the law of the state in which the founder is registered;

9) Address for receiving electronic mail.

When registering a branch referred to in paragraph 1 of this Article, the data referred to in paragraph 3 of this Article are registered and the financial statements of the founder if they have been compiled, subject to audit and disclosed on the basis of the law of the state under which the founder has this obligation.

2. Representative Office of a Foreign Company

Concept of a Representative Office of a Foreign Company

Article 574

A representative office of a foreign company (hereinafter: representative office) is its separate organizational unit which may perform advance and preparatory actions aimed at concluding a legal transaction of that company.

Representative office does not have the capacity of a legal person.

Representative office may conclude only the legal transactions related to its regular operations.

A foreign company is liable for the obligations towards third parties resulting from the operation of its representative office.

Establishment of a Representative Office

Article 575

A representative office is established by a decision of the competent body of a foreign company.

The decision referred to in paragraph 1 shall contain the following:

1) Name and seat of the register in which the founder of the representative office is registered;

2) Name, legal form and seat of the founder of the representative office;

3) Identification/registration number of the founder of the representative office;

4) Personal name, i.e. business name of the representative of the founder of the representative office;

5) Address of the representative office;

6) Personal name, i.e. business name of the representative of the representative office;

7) Address for receiving electronic mail.

Dissolution of a Representative Office

Article 576

A representative office dissolves:

1) By a decision to dissolve the representative office;

2) By dissolution of the founder of the representative office,unless in the case of a status change there is a decision of the legal successor of the founder of the representative office to continue the work of the representative office.

Registration of a Representative Office

Article 577

Representative office shall be registered in accordance with the registration act.

Upon registration of a representative office, the data from Article 575 paragraph 2 of this Act are registered, while the following is also registered pursuant to the registration act:

1) Changes to data referred to in Article 575 paragraph 2 of this Act;

2) Dissolution of a representative office.

PART ELEVEN A
SOCIETAS EUROPAEA

1. Basic Provisions

Notion

Article 577a

A European Joint Stock Company may be incorporated in the Republic of Serbia (Societas Europaea).

The European Joint Stock Company (hereinafter: societas europaea) is incorporated in the legal form of a joint stock company, whose share capital is divided into stocks held by one or a number of stockholders who are not liable for the obligations of the company, except in cases referred to in Article 18 of this Act.

Mutatis Mutandis Application

Article 577b

The provisions of this Act that relate to a joint stock company apply to the issues not prescribed by the provisions of this part of the Act.

Acquiring the Property of a Legal Person

Article 577c

Societas europaea that is incorporated in the territory of the Republic of Serbia acquires the property of a legal person upon registration in the register of business entities in accordance with the registration act.

The legal form of a societas europaea is designated in the business name with a Latin alphabet abbreviation: "SE".

Manner of Incorporation of Societas Europaea

Article 577d

Societas europaea may be incorporated in the territory of the Republic of Serbia in the following manner:

1) By acquisition, i.e. merger of joint stock companies among which at least one is registered in the territory of the Republic of Serbia, and the other one in the territory of another member state, provided that:

(1) One or more joint stock companies are acquired by a joint stock company registered in the territory of the Republic of Serbia, by transferring to that company all assets and liabilities, whereby the transferring companies cease to exist without implementation of the liquidation procedure, and the recipient company changes the legal form into the form of societas europaea, or

(2) Two or more companies are merged to incorporate a societas europaea by transferring to that company all assets and liabilities, whereby the transferring companies cease to exist without implementation of liquidation procedure;

2) As a holding company incorporated by:

(1) At least two companies among which at least one, a company referred to in Article 139 or Article 245 of this Act is registered in the territory of the Republic of Serbia, and at least one, a corporation registered in the territory of another member state, or

(2) At least two companies referred to in Article 139 or Article 245 of this Act registered in the territory of the Republic of Serbia, which all have had, in the period of at least two years, a registered branch or exclusively owned controlled company in the territory of the Republic of Serbia;

3) By incorporation of a controlled company in the form of societas europaea, founded by:

(1) At least two companies among which at least one, a company referred to in Article 139 or Article 245 of this Act is registered in the territory of the Republic of Serbia, and at least one, a corporation registered in the territory of another member state, or

(2) At least two companies referred to in Article 139 or Article 245 of this Act registered in the territory of the Republic of Serbia, which all have had, in the period of at least two years, a registered branch or exclusively owned controlled company in the territory of the Republic of Serbia;

4) By change of legal form of a joint stock company which has had, in the period of at least two years, a registered exclusively owned company in the territory of another member state.

In the case under paragraph 1 item 2) of this Article, the companies that incorporate a societas europaea as a holding keep on existing.

The change of legal form in the case under paragraph 1, item 4) of this Article does not influence the legal personality of the joint stock company and does not have as a consequence the incorporation of a new legal person.

Share Capital

Article 577e

The share capital of societas europaea is denominated in euros and amounts to at least 120,000 euros in dinar counter value per middle exchange rate of the National Bank of Serbia on the day of payment.

The provisions of this Act regulating joint stock companies apply to the share capital, increase and decrease of share capital, stocks and other securities of the societas europaea.

Memorandum of Association and Articles of Association

Article 577f

The Memorandum of Association is an incorporation act of the societas europaea.

Apart from the memorandum of association, societas europaea also has the Articles of Association whereby the management of the company and other issues in line with this Act are regulated.

The seat of the company is determined in the memorandum of association and articles of association of societas europaea in accordance with the provisions of Article 19 of this Act.

Modifications and supplements of the articles of association are rendered by the general meeting of the societas europaea by a two-thirds majority of votes of all stockholders holding the voting right.

The provisions of Article 11 of this Act apply mutatis mutandis to the memorandum of association and articles of association in case those are in the form of an electronic, i.e. digitalized document.

2. Incorporation of Societas Europaea by Acquisition and Merger

Joint Draft of Acquisition Contract

Article 577g

The competent bodies of the companies participating in the acquisition draw up a joint draft of acquisition contract.

Joint draft of the acquisition contract contains in particular the following:

1) Legal form, business names, and registered seats of all companies participating in the acquisition, as well as the business name and seat of the societas europaea;

2) Data on the proportion of exchange of stocks of the transferring company for the stocks of societas europaea, as well as the amount of pecuniary payment, if any;

3) The manner of acquiring stocks in societas europaea and the date from which such stocks yield right to participation in profit of the societas europaea and all the details regarding that right;

4) Date from which the transactions of the transferring company are deemed to be, for the accounting purposes, the transactions performed in the name of societas europaea;

5) Expected consequences of acquisition to the employees of the transferring company;

6) The rights that societas europaea gives to stockholders of the company who have special rights, as well as to holders of other securities, i.e. the measures proposed in relation to those persons;

7) All special benefits granted to members of competent bodies of the companies participating in the acquisition, referred to in paragraph 1 of this Article, as well as to experts who assess the joint draft of the acquisition contract and make a report on that;

8) Proposal of the memorandum of association and articles of association of societas europaea;

9) If appropriate, information on procedures which determine the conditions for participation of employees in decision-making and execution of other rights in societas europaea, in accordance

with the regulations that govern participation of employees in decision-making;

10) Appraisal of assets and amount of liabilities transferred to societas europaea and their description, as well as the manner in which such transfer is made to societas europaea;

11) Dates of financial statements which represent grounds for acquisition.

When all stocks in the transferring company are owed by the recipient company, the joint draft of the acquisition contract does not have to contain data from paragraph 2, items 2) and 3) of this Article.

Publication

Article 577h

The company publishes the joint draft of the acquisition contract on its internet page, if it has one, and submits it to the register of business entities for the purpose of publication on the internet page of that register, at the latest a month prior to the day of holding of the session of the general meeting where the decision on acquisition is made.

Along with the joint draft of the acquisition contract, the following are published also:

1) Data on registers in which the companies participating in the acquisition are registered, and number under which such companies are inscribed in the register;

2) Notification to creditors and minority stockholders of the companies participating in the acquisition on the manner in which it they may execute their rights, as well as on the time and place where they can, without charge, inspect the documents and bylaws from Article 577g of this Act;

3) Notification to members of the company, representatives of employees, i.e. employees, about the time and place where they can, without charge, inspect the document from Article 577i of this Act, and

4) Notification to the members of the company about the time and place where they can, without charge, inspect the document from Article 577j of this Act.

Report of the Competent Body of the Company

Article 577i

A competent body of each company registered in the territory of the Republic of Serbia which participates in the acquisition, makes a report on the acquisition from Article 494 of this Act, at the latest within a month prior to the day of holding of the session of the general meeting where the decision on acquisition is made.

Auditor’s report on the Acquisition

Article 577j

Each individual company participating in the acquisition appoints an auditor for the purpose of audit of the joint draft of the acquisition contract, who makes a report on the acquisition at the latest a month prior to the day of holding of the session of the general meeting where the decision on acquisition is made.

If the competent body of the company that is registered in the territory of the Republic of Serbia, and that participates in the acquisition, does not appoint the auditor from paragraph 1 of this Article, the competent court, at the request of the company, appoints the auditor in a non-contentious proceedings, and such auditor draws up the auditor’s report about the acquisition for that company.

All companies participating in the acquisition may consensually appoint one auditor, who makes a joint report on the acquisition from paragraph 1 of this Article.

Exceptionally, the auditor’s report on the acquisition is not made if all members of the companies

participating in the acquisition expressly agree that such report should not be made.

The court under paragraph 2 of this Article, at the joint request of all companies participating in the acquisition, appoints an auditor who makes a joint report on the acquisition for all companies and sets the time limit in which the auditor is obliged to submit this report to all companies that participate in the acquisition.

The auditor makes a written report on the acquisition which contains an opinion on whether the proportion in accordance with which the exchange of stocks is made is fair and appropriate, as well as the rationale within which he is obliged to state the following, in particular:

1) The methods of appraisal applied when determining the proposed proportion of exchange of stocks and the weights awarded to values resulting from application of those methods;

2) Whether the applied methods and weights awarded to values resulting from application of those methods were appropriate to the circumstances of the case, as well as the nature of the proportion of the exchange of stocks would be if different weights were awarded;

3) The circumstances that made it harder to appraise the value and perform the audit, if any.

Adoption at the General Meeting

Article 577k

After getting acquainted with the reports from Arts. 577i and 577j of this Act, as well as the opinion of the employee's representative about the report from Article 577i of this Act, if it has been delivered, the general meeting of each of the companies participating in the acquisition decides on the adoption of the joint draft of acquisition contract.

The general meeting of each of the companies participating in the acquisition is entitled to condition implementation of acquisition with urgent reaching of agreement on the manner of participation of employees in decision-making in the societas europaea.

When a company from the territory of the Republic of Serbia is the one which is being acquired, and in the procedure of acquisition participate the companies that have a registered seat in other member states where neither the possibility of lawsuits for checking the proportion of exchange of stocks is stipulated, nor lawsuits related to execution of special rights of stockholders that do not prevent the registration of the acquisition, the acquisition procedure shall be implemented only in the case when the general meetings of these companies expressly accept the possibility of such lawsuits in the Republic of Serbia.

The decision of the court under paragraph 3 of this Article is binding on the societas europaea and all its stockholders.

The joint draft of the acquisition contract is considered to be the acquisition contract after its adoption by the general meetings of all companies participating in the acquisition.

Notarized Legal Instrument which Precedes the Registration

Article 577l

At the request of the company registered in the territory of the Republic of Serbia which participates in the acquisition, a notary public, in accordance with the law governing the public notation, issues a notarized legal instrument that all transactions and activities related to the acquisition have been carried out in accordance with the provisions of this Act, i.e. that all the prescribed conditions for acquisition have been met.

The notary public is authorized to request from the company referred to in paragraph 1 of this Article all data, legal instruments and other documents, as well as to undertake all other activities for checking the fulfillment of the conditions for acquisition.

In the case of court proceedings referred to in Article 577k, paragraph 3 of this Act, the notary public is obliged to state in the notarized legal instrument referred to in paragraph 1 of this Article that these court proceedings are pending.

Registration

Article 577m

If the societas europaea is registered in the Republic of Serbia, the registration is performed in accordance with the registration act, provided that the following documents are also submitted for this registration: the notarized legal instrument referred to in Article 577l of this Act and the certificate of the competent authority of the other member state in which the company participating in the acquisition is registered on the fulfillment of the conditions for acquisition in accordance with the law of that state. Both documents may not be older than six months from the day of their issuance.

Societas europaea may not be registered if no agreement on participation of employees in the societas europaea has been concluded, in accordance with the regulations governing participation of employees in decision-making in the societas europaea.

The register of business entities is obliged to submit without delay a notification of the registration referred to in paragraph 1 of this Article to the competent authority of the other member state in which the company participating in the acquisition is registered.

If the transferring company is registered in the Republic of Serbia, the registration of deletion of such company from the register of business entities is carried out in accordance with the registration act, provided that the registration of deletion may not be performed before the receipt of the notification of the executed registration of the societas europaea by the authority responsible for registration in the member state in which the societas europaea is registered.

If the societas europaea is registered in the Republic of Serbia, the acquisition enters into force on the day of registration of the societas europaea in the register of business entities.

If the transferring company is registered in the Republic of Serbia, the acquisition enters into force on the day of registration of the societas europaea in the register of the other member state.

Legal Consequences of Incorporation of Societas Europaea by Acquisition

Article 577n

The incorporation of a societas europaea by acquisition generates the legal consequences referred to in Article 505 of this Act.

The legal consequences under paragraph 1 of this Article produce legal effect as of the day of registration of a societas europaea.

If special conditions i.e. proceedings and procedures need to be satisfied, in accordance with the regulations of member states in which the companies participating in acquisition are registered, for the transfer of the assets and liabilities of the transferring company to the societas europaea to produce legal effect towards third parties, those conditions, i.e. proceedings and procedures are to be satisfied by the companies that participate in the acquisition or the societas europaea.

Simplified Procedure of Incorporation of Societas Europaea by Acquisition

Article 577o

When in incorporation of a societas europaea by acquisition participates a recipient company registered in the territory of the Republic of Serbia, and is the only member of the transferring company, the general meeting of the recipient company does not pass the decision on adoption of the joint draft or the acquisition contract, and the joint draft of the acquisition contract does not contain the data from Article 577g paragraph 2, items 2) and 3) of this Act.

In the case referred to in paragraph 1 of this Article, the auditor’s report on the acquisition referred

to in Article 577j of this Act is not made.

When a recipient company registered in the territory of the Republic of Serbia participates in the incorporation of a societas europaea by acquisition and it has at least 90% of stocks in the transferring company, but not all stocks and other securities that yield the voting right, the general meeting of the recipient company does not pass the decision on adoption of the joint draft of the acquisition contract, except in the case referred to in Article 501 paragraph 1, item 3) of this Act, and the transferring company is neither obliged to draw up a report of the competent body referred to in Article 577i of this Act, nor the auditor's report on the acquisition referred to in Article 577j of this Act.

Participation of Employees in Decision-Making

Article 577p

Employees in the companies participating in the acquisition are entitled to participate in decision-making in the societas europaea registered in the territory of the Republic of Serbia, in accordance with the regulations that govern the participation of employees in decision-making in a societas europaea.

Employees of the transferring company registered in the territory of the Republic of Serbia are entitled to participate in decision-making in a societas europaea registered in the territory of another member state in accordance with the regulations referred to in paragraph 1 of this Article.

Nullity of Registration

Article 577q

After registration of a societas europaea in the Republic of Serbia the registration may not be pronounced as null and void.

Mutatis Mutandis Application

Article 577r

The provisions of this part of the Act on the incorporation of a societas europaea by acquisition apply mutatis mutandis to the incorporation of a societas europaea by merger.

Unless the provisions of this part of the Act stipulate otherwise, the provisions of this Act that relate to status changes of acquisition and merger apply mutatis mutandis to the incorporation of a societas europaea by acquisition, i.e. merger.

3. Incorporation of a Societas Europaea as a Holding

Article 577s

Competent bodies of the companies participating in incorporation of a societas europaea as a holding (hereinafter referred to as: the holding), draw up a joint plan for incorporation of a holding (hereinafter referred to as: the incorporation plan).

The incorporation plan, apart from the elements under Article 577g of this Act, also contains the planned share capital of the holding, as well as the planned proportion of stocks, i.e. shares of each of the companies participating in the incorporation of the holding, which must be invested by the members into incorporation of the holding. Stocks, i.e. shares invested into incorporation of the holding must make more than 50% of stocks, i.e. shares that give voting right.

The provisions of Arts. 577h through 577k of this Act apply mutatis mutandis to the publication of the incorporation plan, the report of the competent body, auditor's report and to the adoption at the general meeting.

Within three months from the day of adoption of the incorporation plan at the general meeting of each of the companies participating in the incorporation of the holding, the members of each company inform the company whether they shall invest their stocks, i.e. shares into the holding.

Upon expiration of the time limit referred to in paragraph 4 of this Article, provided that the conditions relating to minimal share capital were fulfilled according to the proportion set in the incorporation plan, as well as all other conditions, each company is obliged to publish on its internet page, as well as on the internet page of the register in which it is registered, that the conditions for incorporation of the holding have been fulfilled.

The members of the companies that participate in the incorporation of the holding who, within the time limit from paragraph 4 of this Article, have not stated whether they intend to invest their stocks, i.e. shares into the holding, may make a statement within a month from the day of publication of the notification from paragraph 5 of this Article.

The memorandum of association and the articles of association of the holding are adopted upon expiry of the time limit referred to in paragraph 6 of this Article.

Registration

Article 577t

If a holding is registered in the Republic of Serbia the registration is performed in accordance with the registration act, provided that the following documents are also submitted for this registration: the notarized legal instrument referred to in Article 577l of this Act, and the certificate of the competent authority of the other member state in which the company participating in the incorporation of the holding is registered, on the fulfillment of the conditions prescribed by the law of that state. Both documents may not be older than six months from the day of their issuance.

4. Incorporation of Controlled Company in the Form of Societas Europaea

General Provision

Article 577u

The provisions of this Act relating to a joint stock company, as well as the provisions of Arts. 577g through 577q of this Act apply mutatis mutandis to the incorporation of a controlled company in the form of a societas europaea.

5. Incorporation of Societas Europaea by Change of Legal form of Joint Stock Company and Change of Legal Form of Societas Europaea into Joint Stock Company

Change of Legal Form of Joint Stock Company into Societas Europaea

Article 577v

One or more directors, i.e. the board of directors of a joint stock company registered in the territory of the Republic of Serbia, which changes the legal form into the Societas Europaea, draw up the plan of change of legal form (hereinafter: the plan of change).

The plan of change contains in particular the following:

1) Business name and address of the seat of the company undertaking the procedure of legal form change;

2) Proposal of the memorandum of association and articles of association of the societas europaea;

3) Expected consequences of the change of legal form to employees, as well as to the participation of employees in decision-making and execution of other rights in the societas europaea;

4) Planned time limit for change of legal form;

5) Rights for protection of stockholders and creditors.

In addition to the plan referred to in paragraph 1 of this Article, one or more directors, i.e. the board of directors, at the latest a month before the day of holding of the session of the general meeting at which the decision on the change of legal form is made, prepare also the report on the need to implement the procedure of change of legal form, which must contain the reasons and analysis of the expected effects of the change of the legal form and explanation of the legal consequences of the change of legal form to stockholders and employees.

If the management of the company is two-tier, bylaws and documents from paras. 1 and 2 of this Article are prepared by one or more directors, i.e. the executive board, and the supervisory board determines and submits them to the general meeting for adoption.

The joint stock company referred to in paragraph 1 of this Article appoints an auditor for the purpose of audit of the plan of change, who draws up the report on the change of legal form, no later than a month before the day of holding of the session of the general meeting at which the decision on changing the legal form is made. If the competent body of the company does not appoint the auditor, a competent court in non-contentious procedure, at the request of the company, appoints an auditor who draws up the audit report on the change of the legal form.

The auditor prepares the written report on the change of legal form, confirming that the joint stock company has net assets equal to at least its share capital increased for reserves that are not allocated.

The provisions of Article 577h of this Act apply mutatis mutandis to the publication of the plan of change, the report on the need for the implementation of the procedure of change of legal form and the audit report on the change of legal form.

The decision on the change of the legal form is made by a three-fourths majority of the votes of the present stockholders, unless the articles of association determine a larger majority.

The transfer of the seat of a joint stock company registered in the territory of the Republic of Serbia to another member state may not be carried out simultaneously with the change of the legal form into a societas europaea.

Registration

Article 577w

Registration is performed in accordance with the registration act, provided that the notarized legal instrument not older than six months from the day of its issuance, referred to in Article 577l of this Act, is also submitted for this registration.

Change of Legal Form of Societas Europaea into Joint Stock Company

Article 577x

A societas europaea registered in the territory of the Republic of Serbia may change the legal form to a joint stock company.

Change of the legal form referred to in paragraph 1 of this Article may be carried out after the expiration of a period of two years from the day of incorporation, i.e. after the adoption of two annual financial statements.

Change of the legal form referred to in paragraph 1 of this Article does not affect the legal personality of the company and does have as a result the establishment of a new legal person.

The provisions of Arts. 577v and 577w of this Act apply mutatis mutandis to the change of the legal form of a societas europaea into a joint stock company.

6. Transfer of Seat of Societas Europaea

6.1. Transfer of Seat of Societas Europaea Registered in the Territory of the Republic of Serbia into another Member State

Plan of Transfer and Notary Certificate

Article 577y

One or more directors, i.e. the board of directors of a societas europaea registered in the territory of the Republic of Serbia, prepare a plan of the transfer of the seat.

The seat transfer plan includes in particular the following:

1) Business name and address of the seat of societas europaea;

2) Proposed new seat;

3) Proposal for amendments to the articles of association of the societas europaea;

4) Expected consequences of the transfer of the seat to employees, as well as to the participation of employees in decision-making and the exercise of other rights in societas europaea;

5) Planned time limit for the transfer of the seat;

6) Envisaged rights for protection of stockholders and creditors;

7) Envisaged pecuniary compensation for the repurchase of stocks of dissenting stockholders.

In addition to the plan referred to in paragraph 2 of this Article, one or more directors, or the board of directors of the societas europaea, prepare a report at the latest a month before the day of holding of the session of the general meeting at which the decision on transferring the seat to another member state is made, which must contain reasons and analysis of the expected effects of seat transfer and the explanation of the legal consequences of seat transfer to stockholders and employees.

If the management of the company is two-tier, the report referred to in paragraph 3 of this Article is submitted to the supervisory board for adoption before submission to the general meeting for approval.

The societas europaea publishes the seat change plan on its internet page, if any, and submits it to the register of business entities for publication on the internet page of that register no later than two months before the day of holding of the session of the general meeting at which the decision on the transfer of the seat is made.

A notification to stockholders and creditors on the manner in which they may exercise their rights, as well as on the time and place where they can, without charge, inspect the documents and bylaws from paras. 2 and 3 of this Article is also published with the transfer plan.

The decision on the transfer of the seat is made by a two-thirds majority of the votes of the present stockholders, unless the memorandum of association, i.e. articles of association determine a larger majority.

At the request of a societas europaea registered in the territory of the Republic of Serbia, which transfers the seat to another member state, a notary public, in accordance with the law governing the public notation, issues a notarized legal instrument that all transactions and activities related to the transfer of the seat have been carried out in accordance with the provisions of this Act, i.e. that all the prescribed conditions for the transfer of the seat have been fulfilled.

Prior to issuing the notarized legal instrument referred to in paragraph 8 of this Article, the societas europaea proves that the interests of creditors and third parties in connection with the obligations of the societas europaea generated prior to the publication of the seat transfer plan are protected in accordance with the provisions of this Act.

The notary public is authorized to request from societas europaea all data, legal instruments and other documents, as well as to undertake all other activities to check the fulfillment of conditions for the transfer of the seat.

In the case of court proceedings in connection with the exercise of special rights of dissenting stockholders and the protection of creditors, the notary public must state in the notarized legal instrument referred to in paragraph 8 of this Article that these proceedings are pending.

Registration

Article 577z

The planned transfer of the seat of a societas europaea is registered in the register of business entities in accordance with the registration act, provided that for this registration the following documents are submitted also:

1) Notarized legal instrument referred to in Article 577y, paragraph 8 of this Act, which may not be older than six months from the day of issuance and

2) Statement by the director or the board of directors, i.e. the executive board that, in accordance with the law regulating bankruptcy, neither the bankruptcy reasons occurred nor the reasons for compulsory liquidation.

The registration of deletion of a societas europaea from the register of business entities is performed in accordance with the registration act, provided that the registration of deletion may not be executed before the receipt of the notification of the executed registration of the new seat of the societas europaea by the authority responsible for registration in the member state to which the seat is transferred.

After the transfer of the seat of a societas europaea to another member state, a lawsuit against a societas europaea filed for the protection of a legal interest arising from a legal transaction prior to the transfer of the seat is filed with the competent court in the Republic of Serbia.

6.2. Transfer of the Seat of a Societas Europaea Registered in the Territory of other Member State into the Republic of Serbia

Registration

Article 577aa

If the seat of a societas europaea is transferred into the Republic of Serbia, the registration is performed in accordance with the registration act, provided that the following document is also submitted for this registration: certificate of a competent authority of the member state in which the company that transfers the seat is registered, on fulfillment of conditions for the transfer of seat, in accordance with the law of that state, which may not be older than six months from the day of issuance.

The register of business entities in the Republic of Serbia is obliged, without delay, to supply the notification on the registration from paragraph 1 of this Article to the competent authority of other member state wherein the societas europaea that transfers the seat is registered, for the purpose of registration of deletion of the societas europaea from the register of the competent authority of other member state.

The registration of the transfer of the seat of societas europaea from other member state to the Republic of Serbia enters into force on the day of registration of the transfer of the seat of societas europaea in the register of business entities, provided that the third parties may still refer to the previously registered seat until the moment of deletion of the company from the previous register, unless the societas europaea proves that those persons knew about the newly registered seat.

7. Managing the Societas Europaea

Article 577bb

The management of a societas europaea that is registered in the Republic of Serbia may be

organized as one-tier or two-tier, in accordance with the provisions of Article 326 of this Act.

The provisions of Arts. 327 through 416 of this Act apply mutatis mutandis to one-tier management of a societas europaea.

Notwithstanding the provisions of paragraph 2 of this Article, a board of directors must be formed in a societas europaea, and the meetings of the board of directors take place at least once in three months.

The provisions of Arts. 327 through 381 of this Act and the provisions of Arts. 417 through 467 of this Act apply mutatis mutandis to two-tier management of a societas europaea.

The provisions of this Act that relate to the general meeting of a joint stock company apply mutatis mutandis to the general meeting of a societas europaea.

8. Dissolution of a Societas Europaea and the Duty to Announce

Liquidation and Bankruptcy of a Societas Europaea

Article 577cc

The provisions of this Act governing liquidation apply mutatis mutandis to the liquidation of a societas europaea.

The provisions of the law that governs bankruptcy apply mutatis mutandis to the bankruptcy of a societas europaea.

Announcement in the Official Journal of the European Union

Article 577dd

The register of business entities submits a notification on the registered data to the Publications Office of the European Union within a month from the day of registration of incorporation of a societas europaea, deletion of societas europaea from the register and the transfer of seat, for the purpose of publication in the "Official Journal of the European Union".

Part twelve
BUSINESS ASSOCIATIONS

Business Association

Article 578

A business association is a legal person established by two or more companies or sole traders in order to achieve common goals.

A business association may not engage in activity for the purpose of gaining profit, but only for the purpose of achieving common goals.

The legal form of a business association is designated in the business name as: "business association" or "b.a." or "ba".

Business association acquires the capacity of a legal person by registration in accordance with the registration act.

Change of Legal Form of a Business Association

Article 579

A business association may not change its legal form into a form of a company.

Mutatis Mutandis Application of Regulations Governing the Status of Associations

Article 580

Regulations governing the status of associations apply mutatis mutandis to the issues related to business associations that were not regulated by this Act.

PART TWELWE A
EUROPEAN ECONOMIC INTEREST GROUPING

1. Basic Provisions

Concept

Article 580a

European economic interest grouping may be established in the Republic of Serbia.

Legal Status

Article 580b

European economic interest grouping established in the territory of the Republic of Serbia (hereinafter: the grouping) is a legal person founded by at least two companies, sole traders, i.e. other legal or natural persons who carry out agricultural or other activity in accordance with the law, among which at least one is registered in the territory of the Republic of Serbia, and the other in the territory of another member state.

Goal of Incorporation and Activities of the Grouping

Article 580c

The grouping is established for the easier realization, development, harmonization and representation of business and other economic interests and activities of its members.

The grouping does not have its own activity, and the transactions and activities that it undertakes to achieve the purpose for which it was founded represent an additional, i.e. ancillary activity in the performance of the activities of its members.

The goal of the group is not gaining own profit.

The group may have a representative office in another member state.

European economic interest grouping registered in the territory of another member state may have

a representative office in the Republic of Serbia.

The grouping may not:

1) Directly or indirectly, manage or supervise the activities of its members or other companies, in particular with regard to employees and other persons engaged, finances and investments;

2) Directly or indirectly, on any ground, own stocks or shares in share capital of its members, but may hold stocks or shares in other companies, if this is in the interest of its members, and if this is necessary for the achievement of the objectives of the grouping;

3) Employ more than 500 persons;

4) Give the director of a member of the grouping, or a person linked to him a loan or for the benefit of those persons to dispose of the assets of the grouping. Transfer of assets as well, via the grouping, may not be carried out from a grouping member to its director or a person linked to him;

5) Be a member of another grouping;

6) Change the legal form in the form of a company or other form of organizing, or implement status changes.

Incorporation of the Grouping

Article 580d

The establishment document of a grouping is a contract on the establishment of a grouping, which is made in writing.

Persons who form the grouping and the persons who subsequently join are members of the grouping.

The grouping may be established for a fixed or indefinite period of time. It is considered that the grouping is established for an indefinite period of time, unless the agreement on the establishment of the grouping stipulates otherwise.

The signatures on the contract referred to in paragraph 1 of this Article are certified in accordance with the law governing the certification of signatures, provided that the certification of signatures, in the case of an electronic document, is replaced by a qualified electronic signature of the members of the grouping, unless this is contrary to the regulations governing real estate transactions.

The contract on establishment of a grouping contains in particular:

1) Business name, i.e. the name of the grouping, stating the label "European Economic Interest Grouping" or "EEIG";

2) Seat and address of the group's seat;

3) Goal for which the group is founded;

4) Business name, i.e. title, legal form, i.e. personal name, including a unique citizen registration number or passport number and country of issuance of passport for a foreigner, registered seat and address of a member of the grouping, including the date and number under which that member of the grouping is registered in the appropriate register;

5) Duration of the group, if it is established for a specific time.

The contract on the establishment of the grouping also regulates the financing and management of the grouping, gaining and losing the membership status in a grouping, dissolution of the grouping, as well as other issues of importance for the work of the grouping.

Registration of the Grouping

Article 580e

The provisions of the law governing associations, unless otherwise provided by this part of the Act, apply mutatis mutandis to the registration of a grouping that is established in the territory of the

Republic of Serbia.

In the register of associations, it is also mandatory to register:

1) Contract on the establishment of a grouping and its amendments;

2) Information on the members of the grouping referred to in Article 580d, paragraph 5, item 4) of this Act;

3) Representatives of the grouping and data from Article 580d, paragraph 5, item 4) of this Act for the representatives, restrictions on the powers of the representatives, as well as changes of the data on the representatives;

4) Notification on the establishment, i.e. termination of the representation office of the grouping in another member state;

5) Decision of the competent court to ban the work of the grouping;

6) Data on the change of members of the grouping;

7) Data on liquidation and bankruptcy of the grouping;

8) Dissolution of the grouping;

9) Changing of the seat of the grouping;

10) Clause in the contract on the establishment of a grouping or other relevant written document, by which a new member of the grouping is exempt from the obligation to pay the debts and other obligations of the grouping that were created before its accession.

A representative office of European Economic Interest Grouping registered in the territory of another member state is registered in the register of foreign associations, in accordance with the law governing associations.

The register of associations, i.e. the register of foreign associations submits to the Publications Office of the European Union the information referred to in paras. 1, 2 and 3 of this Article for publication in the "Official Journal of the European Union" within a month from the day of registration.

Acquiring the Status of a Legal Person

Article 580f

A grouping that is established on the territory of the Republic of Serbia acquires the status of a legal person by registration in the register of associations in accordance with the law governing associations.

The legal form of the grouping is indicated in the business name as: "European Economic Interest Grouping" or "EEIG".

Financing the Grouping

Article 580g

Depending on the goal of establishing of the grouping and the necessary funds for the establishment and operation of the grouping, the grouping may be established and financed from the contributions of members of the grouping or membership fees, in accordance with the contract on the establishment of the grouping.

The contributions of members may be pecuniary and nonpecuniary.

Nonpecuniary contributions may be in things, rights, work, services and skills.

Members of the grouping acquire shares in the grouping in proportion to their contributions, unless the contract on establishment stipulates otherwise.

Shares in a grouping may not be obtained by publishing a public invitation.

The contract on the establishment of the grouping contains the amount and the time limit for payment of the pecuniary contribution of a member of the grouping, a description of the type, value, method and time limit for entering of the nonpecuniary contribution of a member of the grouping, i.e. the amount, time limit and manner of payment of membership fee.

The grouping may also be financed from a credit facility, as well as in other manner permitted by law.

Liability for Obligations of the Grouping

Article 580h

The members of a grouping are jointly and severally liable, without limits, with all their assets for the grouping's obligations.

A person who acquires the capacity of a member after the establishment of the grouping is liable for the group's obligations, including obligations incurred before their accession to the grouping.

Notwithstanding paragraph 2 of this Article, a clause in the contract on establishment of the grouping or other appropriate written document may exempt a new member of a group from the obligation to pay the debts and other obligations of the grouping that arose before they joined the grouping.

The limitation of liability referred to in paragraph 3 of this Article produces legal effect towards third parties from the day of publication on the internet page of the association's register.

The creditors may not demand the settlement of claims from a member of the grouping in accordance with paragraph 1 of this Article before the finalization of liquidation of the grouping, unless they first demanded settlement of claims from the grouping, and the grouping did not settle the due receivables within the prescribed time limit.

Group members are jointly and severally liable, without limits, for the obligations of the grouping which is in liquidation even after deletion of the grouping from the register of associations.

Each member of a grouping, whose membership in the grouping ceases, remains unrestrictedly jointly and severally liable for the grouping's obligations that arose before the termination of its membership.

Claims of creditors towards the members of the grouping, referred to in paras. 6 and 7 of this Article, become time-barred within five years from the day of deletion of the grouping from the register of associations, i.e. from the day of termination of membership.

The persons who undertook the activities in the name of the grouping prior to its registration are unrestrictedly jointly and severally liable for the obligations arising from these activities, if the grouping, after registration, does not assume the obligations arising from these activities.

Seat Change

Article 580i

The decision on the change of the grouping’s seat is made by the members of the grouping unanimously, except if the contract on the establishment of the grouping stipulates otherwise.

Seat Transfer

Article 580j

Groupings seat may be transferred to another member state.

A proposed decision on the seat transfer is drafted by the grouping’s representative.

The proposal of the decision on the seat transfer is published by the grouping on its internet page, provided it has one, and is submitted to the register of associations for the publication on the

internet page of that register, not later than two months before the day of the session of the general meeting in which the decision on the transfer of seat is made.

The general meeting of the grouping passes the decision on the seat transfer unanimously.

The decision on the seat transfer enters into force on the day of registration of the new seat in the competent register of the member state to which the seat is transferred.

The registration of deletion of the grouping from the register due to the transfer of the seat may not be executed before the receipt of the notification of the executed registration of the new seat by the authority in charge of registration in the member state to which the seat is transferred.

Grouping's Bodies

Article 580k

The grouping bodies are:

1) General meeting and

2) One or more directors, i.e. the board of directors.

In addition, the contract on establishment of the grouping may stipulate other bodies and their powers.

Grouping's General Meeting

Article 580l

The groupings general meeting consists of all members of the grouping.

Each member of the grouping has one vote.

The contract on establishment of the grouping may stipulate that certain members of the grouping have more than one vote, but none of the members may have a majority of the total number of votes.

The general meeting of the grouping makes decisions unanimously, unless the contract on establishment provides otherwise.

Unanimous decision of the general meeting is mandatory for the following:

1) Modification of the grouping's goals;

2) Change of the number of votes granted to a certain member;

3) Modification of the manner of voting and the number of votes needed for decision-making;

4) Extending the duration of the grouping, if it has been established for a limited period and

5) Change of participation of the members of the grouping in its financing.

Grouping's Directors

Article 580m

A grouping has one or more directors who are legal representatives of the grouping, and who may be appointed by the contract on the establishment of the grouping or by the decision of the general meeting.

The contract on the establishment of the grouping stipulates the number of directors, while the conditions for appointment, powers and dismissal of the directors may be determined by the unanimous decision of the general meeting if the contract on establishment does not have those provisions.

The director referred to in paragraph 1 of this Article may be every natural person with contractual

capacity.

A grouping's director may not be a person who is:

1) A director or member of the supervisory board in more than five companies, i.e. other legal persons;

2) Convicted of a crime against commerce, during the period of five years counting from the day of finality of the judgment. The time spent serving the prison sentence does not count;

3) Imposed with a security measure - ban on conducting the profession, during the time that the ban lasts.

Each director is authorized to independently represent the grouping, unless the contract on establishment stipulates otherwise.

Legal transactions and activities undertaken by the director towards third parties are binding on the grouping, even in the case when such transactions and activities have been taken out of the scope of grouping's goals, unless the grouping proves that the third party knew, or must have known that those transactions and activities are out of the scope of grouping's goals.

The director is obliged to act in accordance with the limitations of his powers determined by the contract on establishment of the grouping or by the decision of the general meeting.

The limitations of director's authorities may not be used against third parties' claims.

Notwithstanding paragraph 8 of this Article, the limitations of directors' powers concerning joint representation, i.e. mandatory joint signature may be used against third parties' claims if registered in accordance with the Article 580g of this Act.

Accession of a New Member

Article 580n

The decision on accession of new members is unanimously adopted by the general meeting of the grouping.

Termination of Membership

Article 580o

The membership in the grouping terminates in the following cases:

1) Member leaving the grouping;

2) Expulsion of a member;

3) Deletion of a member who is a legal person from the competent register, as a consequence of liquidation, compulsory liquidation or finalization of bankruptcy;

4) Transfer of whole share;

5) Death of a grouping's member;

6) In other cases stipulated in the contract on establishment of the grouping.

After termination of membership in the grouping in cases from paragraph 1 of this Article, the grouping continues to exist under the conditions stipulated in the establishment contract or after a unanimous decision of the remaining members, unless the contract on establishment provides otherwise.

Member Leaving

Article 580p

A member of the grouping may leave the grouping under the conditions and in the manner specified in the contract on establishment, and if the contract on establishment does not have such a provision, the general meeting decides on the leaving of the member unanimously.

Each member of the grouping may leave the grouping because of a justified reason.

A member of the grouping who leaves the grouping may not vote in the general meeting when the decision on his leaving is made.

Expulsion of Member

Article 580q

A member of the grouping may be expelled from the grouping on the basis of the decision of the general meeting, under the conditions and in the manner specified by the contract on establishment.

A grouping may file an action with the competent court according to the location of the seat of the grouping to expel a member of the grouping due to the reasons stipulated in the contract on establishment of the grouping, especially if the member of the grouping, with his actions or failure to act contrary to the contract on establishment, prevents or significantly hinders the activities of the grouping, does not perform special obligations towards the grouping stipulated by the contract on establishment, and on purpose or with gross negligence causes damage to the grouping.

The members of the grouping holding a majority may jointly file the action from paragraph 2 of this Article, unless the contract on establishment provides otherwise.

A member of the grouping may not vote on the general meeting when the decision is made about his expulsion from the grouping.

Transfer of Share

Article 580r

Each member of a grouping can transfer his share in the grouping, or part of the share, to another member of the grouping or to a third party.

The general meeting passes the decision on transferring the share unanimously.

A member of a grouping who transfers his share or part of the share cannot vote in the general meeting when the share transfer decision is made.

Share as Collateral

Article 580s

A member of the grouping may use his share as collateral only if the general meeting of the grouping approves it, unless otherwise provided by the contract of establishment.

The decision referred to in paragraph 1 of this Article is adopted unanimously by the general meeting or the grouping.

A member of a grouping who uses his share as a collateral cannot vote in the general meeting when the decision referred to in paragraph 2 of this Article is made.

The person in whose favor the collateral referred to in paragraph 1 of this Article is given cannot, on the basis of the collateral, become a member of the grouping.

Termination of Membership due to Death

Article 580t

In case of death of a member of the grouping, his heir cannot continue his membership in the grouping, unless the contract on the establishment of the grouping stipulates otherwise.

In the event that the heir cannot continue the membership in the grouping or does not accept the membership in the grouping, the grouping is obliged to pay the heir the equivalent value of the share in the group.

Duty to Notify on the Termination of Membership in the Grouping

Article 580u

The director, i.e. the grouping's directors notify the other members of the grouping without delay on the termination of membership and file an application for registration of the change of membership in the register of associations.

The application for inscription of change of membership from paragraph 1 of this Article may also be submitted by the member whose membership is terminated or any other member of the grouping.

Consequences of Termination of Membership

Article 580v

The value of the rights and obligations of a member of a group whose membership terminates, except in the case referred to in Article 580r of this Act, is determined on the basis of the balance of assets and liabilities of the grouping at the time of termination of membership.

The value of the rights and obligations referred to in paragraph 1 of this Article may not be determined in advance.

Distribution of Profit and Coverage of Losses

Article 580w

The profit that a grouping may generate by performing an activity represents the profit of its members and is distributed among the members in proportion which is specified in the contract on the establishment of the grouping, and if this contract does not specify such a proportion, the profit is distributed among the members in equal parts.

The members of the grouping participate in coverage of the groupings losses in proportion specified by the contract on establishment of the grouping, and if this contract does not specify the proportion, the members of the grouping participate in coverage of losses of the grouping in equal parts.

Dissolution of the Grouping

Article 580x

The grouping dissolves by deletion from the register of associations in case of:

1) Grouping’s liquidation due to:

(1) Expiry of the time for which it was established;

(2) Fulfillment of the goal for which the grouping was established or its achievement became impossible;

(3) Decisions of the general meeting;

(4) Court decision;

(5) In case only one member has remained in the grouping or when the grouping remains without a member registered in another member state;

(6) Occurrence of some other reason specified in the contract on establishment.

2) Conclusion of the bankruptcy of the grouping.

If within three months from the occurrence of the conditions referred to in paragraph 1, item 1), sub-items (1) and (6) of this Article, the general meeting of the grouping does not pass a decision determining the dissolution of the grouping, each member of the grouping may file a complaint with the competent court for the adoption of this decision.

The director, i.e. grouping's directors submit without delay the decision on the dissolution of the grouping to the register of associations for the purpose of registration.

Any member of the grouping may also submit the decision from paragraph 3 of this Article to the register of associations.

Court Decision on Dissolution of the Grouping

Article 580y

Upon a complaint by a competent authority or an interested third party having a legal interest in it, if violations of the provisions of Article 580c and Article 580x paragraph 1, item 1), sub-item (5) of this Act have been committed, the competent court issues a decision on the dissolution of the grouping, unless the reasons for filing a lawsuit are removed before that decision is made.

Upon a complaint by a member of the grouping, the court may issue a decision to dissolve the grouping when there is a justified reason for that.

Nullity of the Establishment Document and Banning of Grouping's Work

Article 580z

A grouping's establishment document is null and void if the grouping's objectives stated in the establishment document are contrary to compulsory regulations or to the public interest.

The nullity of the establishment document is determined by the competent court.

If a grouping performs any activity in the Republic of Serbia that is contrary to the public interest the Constitutional Court issues a decision banning the work of the group.

Grouping's Liquidation

Article 580aa

The provisions of this Act on liquidation apply mutatis mutandis to the liquidation of a grouping.

The grouping has legal and business capacity until the end of the liquidation.

Grouping's Bankruptcy

Article 580bb

Bankruptcy of a grouping may be opened in the event of existence of a bankruptcy reason in accordance with the law governing bankruptcy.

Opening bankruptcy against a grouping does not mean opening bankruptcy against the members of the grouping.

Part thirteen
PENAL PROVISIONS

Chapter I
CRIMES

Giving a Statement of False Content

Article 581

Company's statutory representative or a member of company's bodies, as well as the liquidator, authorized expert witness, auditor or other expert who gives a written statement of untrue nature that is prescribed by this Act as a condition for conducting a particular proceeding, with the intent to commence and/or conduct and/or conclude such proceedings or as a condition for entry into force or implementation of a company decision, shall be punished by imprisonment of from six months to five years, and fined.

If the crime referred to in paragraph 1 of this Article was committed with the intention to harm the company's creditors or members of the company, and the amount of the damage incurred by those persons exceeds ten million dinars, the perpetrator shall be punished by imprisonment of from one year to ten years, and fined.

In addition to the prison sentence, the court may pronounce a measure of prohibiting the perpetrator to perform an office, i.e. a calling, in accordance with the Criminal Code.

Concluding a Legal Transaction or Undertaking an Action in Case of Existence of Personal Interest

Article 582

If the person referred to in Article 61 of this Act, who has a special duty towards the company, fails to report to the company a legal transaction or an action in which he has personal interest, i.e. fails to obtain the approval of legal transaction or action in case of existence of personal interest referred to in Article 66 of this Act, with the aim of having such company conclude a contract or take an action that will incur damages to it, shall be punished by a fine or imprisonment of up to one year.

If due to a committed crime referred to in paragraph 1 of this Article the company incurred damage that exceeds the amount of ten million dinars, the perpetrator shall be punished by imprisonment ranging from six months to five years, and fined.

In addition to the prison sentence, the court may pronounce a measure of prohibiting the perpetrator to perform an office, i.e. a calling, in accordance with the Criminal Code.

Violation of Duty to Avoid Conflict of Interest

Article 583

If the person referred to in Article 61 of this Act, who has a special duty towards the company, violates the duty to avoid the conflict of interest from Article 69 of this Act, with the intention to obtain a property gain for himself or other, shall be punished by a fine or imprisonment of up to one year.

If due to a committed crime referred to in paragraph 1 of this Article the company incurred damage

that exceeds the amount of ten million dinars, the perpetrator shall be punished by imprisonment ranging from six months to five years, and fined.

In addition to the prison sentence, the court may pronounce a measure of prohibiting the perpetrator to perform an office, i.e. a calling, in accordance with the Criminal Code.

Violation of Representative's Duty to Act within the Limits of the Authorization to Represent

Article 584

If a representative of a company violates the duty to act within the limits of his authorization established by company by-laws or decisions of the competent company bodies from Article 33 paragraph 1 of this Act, he shall be punished by a fine or imprisonment of up to one year.

If due to a committed crime referred to in paragraph 1 of this Article the company incurred damage that exceeds the amount of ten million dinars, the perpetrator shall be punished by imprisonment ranging from six months to five years, and fined.

In addition to the prison sentence, the court may pronounce a measure of prohibiting the perpetrator to perform an office, i.e. a calling, in accordance with the Criminal Code.

Chapter II
COMMERCIAL OFFENCES

Commercial Offences of a Company and Responsible Officer

Article 585

A fine ranging from 100,000 to 1,000,000 dinars shall be punishment to a company for a commercial offence if:

1) It performs activity without prior approval, consent or other decision of the competent body, if such a document is a condition for the performance of such activity prescribed by a separate act (Article 4, paragraph 2 of this Act);

2) During business it is not using the business name and other mandatory particulars in accordance with Article 25 of this Act, or operates under a business name which violates the restrictions from Article 27 paragraph 1 of this Act;

2a) It does not publish on its internet page or on the internet page of the register of business entities a notification about the concluded legal transaction, i.e. undertaken legal activity, with a detailed description of that transaction or activity and all relevant facts about the nature and scope of the personal interest, within 15 days from the day of conclusion of that legal transaction, i.e. undertaking of such legal activity (Article 66, paragraph 9 of this Act);

3) (Deleted)

4) It provides financial support for acquisition of its shares or stocks (Article 154 paragraph 1, and Article 279 of this Act);

5) It makes payments to members contrary to the provisions on restrictions of payments (Articles 184 and 275 of this Act);

6) It fails to dispose of, cancel or distribute own stocks in accordance with the obligation to dispose of own stocks (Article 287 of this Act);

7) It fails to hold and keep bylaws and documents in accordance with this Act (Article 240, Article

348 paragraph 7, and Article 464 of this Act);

8) It carries out the reduction of capital contrary to provisions on creditor protection (Article 319 of this Act);

9) At the occasion of a status change it violates the prohibition of creating fictitious capital (Article 503 of this Act);

10) During liquidation it enters into new transactions, or pays out dividends to members, or distributes assets (Article 531 and Article 535 paragraph 3 of this Act);

11) It fails to compile documents it should compile in after paying up to creditors in accordance with Article 540 hereof;

12) Based on a contract on control and management, it pays out as a controlled company, i.e. receives consideration as a controlling company, if the controlled company has operated with losses (Article 561 of this Act);

13) If fails to provide adequate protection to a creditor of the controlled company, after its capacity of a controlling company ceased, in accordance with Article 566 of this Act;

13a) It performs the activity in a branch that is not registered (Article 569, paragraph 1 of this Act);

14) It fails to harmonize with the provisions of this Act, or fails to harmonize within the prescribed time limit in accordance with this Act.

For the actions referred to in paragraph 1 of this Article, the responsible officer of the company shall also be punished for a commercial offence and fined by an amount ranging from 20,000 to 200,000 dinars.

Commercial Offences of a Public Joint stock Company and its Responsible Officer

Article 586

A fine ranging from 200,000 to 2,000,000 dinars shall be a punishment to a joint stock company for a commercial offence if:

1) Changed circumstances occur, referred to in Article 54 of this Act, and the company fails to conduct a new appraisal of the value of the in kind contribution, in accordance with Art. 51 through 53 of this Act;

2) It determines the issue price of stocks or a discount to such price in contravention of Article 260 of this Act;

3) It sets the issue price of convertible securities in contravention of Article 263 of this Act;

4) With the stockholders who have incorporated it concludes a contract in contravention of Article 268 of this Act, within the period of two years as of the day of the registration of incorporation;

5) Pays out a dividend to a stockholder in contravention of Article 272 of this Act;

6) Pays out an interim dividend to a stockholder in contravention of Article 273 of this Act:

7) it fails to return the paid up or transferred share at the latest within 15 days from the day of expiry of the time limit for subscribing stocks, in case of an unsuccessful increase in capital (Article 298 paragraph 5 hereof);

8) It does not enable the issuing of a power of attorney for voting by electronic means in accordance with Article 344 paragraph 9 of this Act;

9) It does not make the results of voting available to stockholders in accordance with Article 356 of this Act.

For the actions referred to in paragraph 1 of this Article, the responsible officer of the company shall also be punished for a commercial offence and fined by an amount ranging from 40,000 to 400,000 dinars.

Chapter III
MISDEMEANORS

Misdemeanors Committed by Natural Persons

Article 587

A fine of ranging from 50,000 to 150,000 dinars shall be a punishment for a misdemeanor committed by a natural person if such a person:

1) In the capacity of a company member abuses the right to information and access to bylaws and documents of the company and publishes them or discloses them to third parties (Article 82 of this Act);

2) Offers or gives cash consideration or other benefit:

(1) To a stockholder of a public joint stock company in order to obtain a power of attorney to vote on such company's general meeting;

(2) So that someone would vote or not vote in a certain manner at the general meeting of a public joint stock company.

A fine of ranging from 20,000 to 150,000 dinars shall be a punishment for a misdemeanor committed by a natural person is such person performs an activity outside of the prescribed forms of conducting commercial activity, including a company and a sole trader.

Misdemeanors of a Sole Trader

Article 588

A fine ranging from 50,000 to 200,000 dinars shall be a punishment for a misdemeanor of sole trader if:

1) He or a person he hires does not meet the requirements set forth in the regulation governing the protection of population from contagious diseases;

2) He performs activity from a place that is not registered in accordance with the registration act, except in case when the nature of the activity itself renders the performance of activity outside of such place only possible or customary (Article 87 of this Act);

3) He fails to display his business name in his seat, as well as in other place of conducting business in accordance with Article 87, paragraph 5 of this Act;

4) He performs activity from a place that does not meet the conditions set forth by a regulation governing the conditions for performance of such activity (Article 87 paragraph 6 of this Act);

5) He performs activity through a manager who is not registered in accordance with the registration act or who does not fulfill the special conditions prescribed with regard to sole trader's personal qualifications (Article 89 of this Act);

6) He uses the work of persons who are not employed by him contrary to Article 89 para. 9 and 10 of this Act.

For the misdemeanor referred to in paragraph 1 of this Article the property gain achieved through the committed misdemeanor shall be seized, and a measure prohibiting the perpetrator to conduct business for a period ranging from six months to a year may also be imposed.

For the misdemeanor referred to in paragraph 1 of this Article fine in the amount of 20,000 dinars may be charged on the spot.

Part fourteen
TRANSITIONAL AND FINAL PROVISIONS

Obligation to Harmonize Capital

Article 589

The existing companies shall harmonize their share capital with the provisions of this Act by January 1, 2014, except with regard to the contributions in work and services subscribed until the day this Act enters into force.

The registrar keeping the business entities register shall express ex officio, within a term of 90 days from the day this Act starts applying, the share capital of existing companies registered in accordance with the Law on Registration of Business Entities ("Official Herald of RS", Nos. 55/04, 61/05 and 111/09 - other law) in dinars using the official middle exchange rate of the National Bank of Serbia valid on the day the corresponding contribution is paid up, whereas the shares of company members in the share capital of the company do not change, and in case of joint stock companies, in the amount of the share capital registered in the Central Registry.

Additional Contributions

Article 590

Unless otherwise stipulated by the company's memorandum of association, additional contributions in the existing companies agreed on or paid up by the day this Act enters into force are considered to be loans and the provisions of this Act governing a loan to the company shall apply to such contributions.

Obligation to Harmonize the Existing Limited Liability Companies

Article 591

Existing limited liability companies shall harmonize their bodies with the provisions of this Act until by the day this Act begins to apply.

Existing limited liability companies shall register the implemented changes from paragraph 1 of this Article in accordance with the registration act within a term of three months from the day this Act begins to apply.

The registrar keeping the register of business entities initiates compulsory liquidation proceeding against the existing limited liability companies that fail to act in accordance with the provisions of paragraph 2 of this Article.

Obligation to Harmonize the Existing Joint Stock Companies

Article 592

Existing joint stock companies shall harmonize their memorandum of association with the provisions of this Act by June 30, 2012.

Harmonization of the memorandum of association from paragraph 1 of this Article is done so that such a document includes:

1) Business name and seat of the company;

2) Company's predominant activity;

3) Amount of cash and in kind part of the share capital subscribed in the Central Registry, with indication of the total amount of cash and in kind contributions paid up, i.e. entered into the company;

4) Data on types and classes of stocks issued by the company, with important elements of each class of stocks in terms of the law governing capital market.

Existing joint stock companies shall harmonize their articles of association and bodies with the provisions of this Act by June 30, 2012, i.e. to adopt the articles of association within the same time limit if they have failed to adopt it until the day this Act enters into force, and such articles of association may contain appointment of directors, as well as members of the supervisory board, if the company has a two-tier management system.

Existing open and closed joint stock companies are harmonized, in terms of para. 1, 2 and 3 of this Article, with the provisions of this Act which govern joint stock companies, while the open joint stock companies also with the provisions of this Act governing public joint stock companies.

Existing joint stock companies shall register the implemented changes in accordance with the registration act, at the latest by July 15, 2012.

The registrar keeping the register of business entities initiates compulsory liquidation proceeding against the existing joint stock companies that fail to act in accordance with the provisions of paragraph 5 of this Article.

The provisions of this Act shall apply to the existing joint stock companies until their harmonization in terms of this Article, whereas:

1) The provisions of the memorandum of association, articles of association and other bylaws of those companies shall apply if they are not contrary to provisions of this Act;

2) The existing management boards shall perform duties of the board of directors in terms of this Act.

Deleted Business Entities

Article 593

Members, i.e. owners of business entities that were deleted from the register of business entities in accordance with Article 452 paragraph 4 of the Companies Act ("Official Herald of Republic of RS", No. 125/04), on the day this Act enters into force, become co-owners of the assets of such business entities, in ideal shares that correspond to their ownership shares in the share capital of such business entities.

The persons from paragraph 1 of this Article may stipulate in a contract a different manner in which the assets from paragraph 1 of this Article are to be distributed among them.

Existing encumbrances on the assets from paragraph 1 of this Article remain in force.

The persons from paragraph 1 of this Article are liable for the obligations of the deleted business entities from paragraph 1 of this Article up to the value of assets that have become their property pursuant to this Article, i.e. contract referred to in paragraph 2 of this Article.

Existing Sole Traders not transferred from the Register of Municipal Units of Local Governments and Existing Partnership Shops

Article 594

The sole traders who are not transferred from the register of municipal units of local governments to the register of business entities in accordance with the Act on Registration of Business Entities ("Official Herald of RS", Nos. 55/04, 61/05 and 111/09 - other law), on the day the application of this Act starts, are deemed deleted from the register to which they were entered.

Owners of existing partnership shops shall change the form in which they perform activity in the legal form of a company as prescribed by this Act by March 1, 2013 at the latest.

If the owners of existing partnership shops do not apply for a change of legal form to the register of business entities within the time limit set out in paragraph 2 of this Article, the registrar keeping the

register of business entities shall, ex officio, transfer them into the legal form of a partnership.

Exception from Application of Provisions on Compulsory liquidation

Article 595

Provisions of this Act on compulsory liquidation do not apply to the compulsory liquidation procedure prescribed by the Privatization Act ("Official Herald of RS", Nos. 38/01, 18/03, 45/05, 123/07- other law and 30/10).

Existing Business Associations

Article 596

On the day this Act starts to be applied, the business associations established in accordance with the Enterprise Law ("Official Journal of FRY", Nos. 29/96, 33/96-corrigendum, 29/97, 59/98, 74/99, 9/01 - FCC and 36/02 and "Official Herald of RS", No. 125/04 - other law) and transferred to the register of business entities, continue to operate in accordance with this Act.

Business associations referred to in paragraph 1 of this Article shall harmonize their incorporation documents and business operations with the provisions of this Act by the day this Act begins to be applied.

The existing business associations shall register the implemented changes referred to in paragraph 2 of this Article, in accordance with the registration act within a term of three months from the day this Act starts applying.

Register of business entities initiates compulsory liquidation proceedings against the existing business associations which fail to act in accordance with the provisions of paragraph 3 of this Article.

Termination of Validity of Existing Regulations

Article 597

On the day this Act starts applying, the Companies Act ("Official Herald of RS, number 125/04) is repealed, except for the provision of Article 456 thereof, which shall apply until the privatization of existing socially-owned companies and companies operating with socially-owned or state-owned capital is completed.

On the day this Act starts to apply, the Private Entrepreneurship Act ("Official Herald of SRS, Nos. 54/89 and 9/90 and "Official Herald of RS", Nos. 19/91, 46/91, 31/93-CC, 39/93, 53/93, 67/93, 48/94, 53/95, 35/02, 101/05-other law, 55/04-other law and 61/05- other law) is repealed, except for the provisions governing partnership shops, which are repealed as of January 1, 2013.

On the day this Act starts to be applied the provisions of Article 4 of the Law on Foreign Trade Operations ("Official Herald of RS", No. 36/09) are repealed.

Exceptions from Application of the Act on Litigation Procedure

Article 598

As of the day this Act starts to apply, the provisions of Article 214 item 5) of the Litigation Procedure Act ("Official Herald of RS", Nos. 125/04 and 111/09) do not apply with regard to liquidation procedures initiated pursuant to provisions of this Act.

Deadline for Adoption of Subordinate Legislation

Article 599

Subordinate legislation for implementing this Act shall be passed within a deadline of three months as of the day this Act enters into force.

Entry into Force and Start of Application

Article 600

This Act enters into force on the eighth day from the day of its publication in the "Official Herald of the Republic of Serbia", and shall apply as of February 1, 2012, save for Article 344 paragraph 9 and Article 586, paragraph 1, item 8) of this Act, which shall apply as of January 1, 2014.

Independent Articles of the Act on Amendments and Supplements to the Companies Act

("Off. Herald of RS", No. 99/2011)

Article 24

A registrar keeping the registry of companies shall, *ex officio*, until April 30, 2012, harmonize the business names of existing companies and sole traders, registered in accordance with the Law on the Registration of Business Entities ("Official Herald of RS", Nos. 55/04, 61/05 and 111/09 - other law), with the provisions of Art. 22 and 86 of the Companies Act ("Official Herald of RS", No. 36/11).

Article 25

This Act enters into force on the eighth day from the day of publication in the "Official Herald of the Republic of Serbia".

Independent Articles of the Act on Amendments and Supplements to the Companies Act

("Off. Herald of RS", No. 5/2015)

Article 3

The provisions of Art. 1 and 2 of this Act apply also to own stocks acquired prior to entry into force of this Act.

Article 4

This Act enters into force on the day that follows the day of publication in the "Official Herald of the Republic of Serbia".

Independent Articles of the Amendments and Supplements to the Companies Act

("Off. Herald of RS", No. 44/2018)

Article 153

Companies and other forms of performing business activities that have not been transferred into the register of business entities in accordance with the Registration of Business Entities Act ("Official

Herald of RS", No. 55/04, 61/05 and 111/09 - other law) and the Law on the Procedure for Registration in the Business Registers Agency ("Official Herald of RS" No. 99/11 and 83/14) are deemed deleted from the register in which they have been registered on the day this Act becomes applicable.

The provisions of Article 593 of the Companies Act ("Official Herald or RS", No. 36/11, 99/11, 83/14 - other law and 5/15) apply to the assets of business entities referred to in paragraph 1 of this Article.

The provision of paragraph 1 of this Article does not relate to the companies and other forms of carrying out business activity, whose seat is located in the territory of the Autonomous Province of Kosovo and Metohija, which operate with socially-owned or public capital.

The registrar keeping the register of business entities shall ex officio, within 30 days from the date of delivery of the initiative of the competent authority, carry out the transfer of legal persons from paragraph 3 of this Article into the register of business entities.

Article 154

Members, i.e. founders of business entities that have been deleted from the register of business entities as inactive, in accordance with Article 68, paragraph 2 of the Registration of Business Entities Act ("Official Herald of RS", Nos. 55/04, 61/05 and 111/09 - other law) become co-owners of the assets of these business entities, in the ideal parts corresponding to their ownership shares in the share capital of those business entities on the day of the beginning of the application of this Act.

The persons referred to in paragraph 1 of this Article may, by contract, regulate the manner of distribution of the assets referred to in paragraph 1 of this Article, between themselves and in a different manner.

Existing encumbrances on assets from paragraph 1 of this Article remain in force.

The persons referred to in paragraph 1 of this Article are liable for the obligations of deleted entities referred to in paragraph 1 of this Article up to the value of assets that have been transferred to their ownership in accordance with this Article, i.e. the contract referred to in paragraph 2 of this Article.

Article 155

A business entity against which the bankruptcy procedure has been concluded by a decree that became final before 25 July 2012, ceases to exist as of the day of finality of that decree.

The registrar keeping the register of business entities, issues ex officio the decree on the deletion of the business entity referred to in paragraph 1 of this Article.

Article 156

The procedures for compulsory liquidation commenced before the beginning of application of this Act shall be concluded in accordance with the provisions of the Companies Act ("Official Herald of the Republic of Serbia" Nos. 36/11, 99/11, 83/14 - other law, and 5/15).

Proceedings of compulsory repurchase of stocks started with the Central Registry prior to the beginning of application of this Act shall be concluded in accordance with the provisions of Arts. 515 through 521 and the provisions of Article 523 of the Companies Act ("Official Herald of the Republic of Serbia", Nos. 36/11, 99/11, 83/14 - other law, and 5/15).

Proceedings on the right to sell stocks in which a request for sale is submitted to the company before the beginning of application of this Act, shall be concluded in accordance with the provisions of Arts. 522 and 523 of the Companies Act ("Official Herald of the Republic of Serbia", Nos. 36/11, 99/11, 83/14 - other law, and 5/15).

Article 157

Domestic companies that have the established branches are obliged to register those branches

within one year from the day of the start of application of this Act.

Article 158

Existing companies, sole traders, representative offices and branches of foreign companies that do not have a registered e-mail address are obliged to register this address within one year from the day of start of the application of this Act.

Article 159

On the day of the accession of the Republic of Serbia to the European Union, the provision of Article 287, paragraph 5 of the Companies Act ("Official Herald of RS", Nos. 36/11, 99/11, 83/14 - other law and 5/15) ceases to be applicable.

Article 160

On the day this Act becomes applicable, the provisions of the following laws and other regulations are repealed, in the part in which the obligation is instituted to use seals in the business operations of companies and sole traders, namely in:

1) Article 19, paragraph 2, item 12) and Article 23, paragraph 3, item 6) of the Public Warehouses for Agricultural Products Act ("Official Herald of RS", No. 41/09);

2) Article 40 paragraph 2 of the State Audit Institution Act ("Official Herald of RS", Nos. 101/05, 54/07 and 36/10);

3) Article 12 paragraph 4 of the Trademarks Act ("Official Herald of RS", Nos. 104/09 and 10/13);

4) Article 11 paragraph 1 and Article 34 paragraph 1 of the Endowments and Foundations Act ("Official Herald of RS", Nos. 88/10 and 99/11 - other law);

5) Article 21, paragraph 6 of the Inspection Act ("Official Herald of RS", No. 36/15);

6) Article 14, paras. 4 and 5 of the Geographical Indications Act ("Official Herald of RS", No. 18/10);

7) Article 15 paragraph 5 of the Legal Protection of Industrial Design Act ("Official Herald of RS", Nos. 104/09 and 45/15);

8) Article 76, items 1) and 2), Article 78, paragraph 3, Article 79, paragraph 6, Article 83, paragraph 2, Article 84, paragraph 7, Article 85, paragraph 2, Article 86, paragraph 3, Article 91, paragraph 3, Article 115, paragraph 1, item 2), Article 124, paragraph 3, Article 150, paragraph 1, item 1), Article 169, paragraph 1, item 17), and Article 170, paragraph 1, items 20), 25), 28), 29) and 32) of the Transport of Passengers in Road Traffic Act ("Official Herald of RS", No. 68/15);

9) Article 19 paragraph 3 of the Trade Act ("Official Herald of RS", Nos. 53/10 and 10/13);

10) Article 11 paragraph 3 and Article 12 paragraph 4 of the Associations Act ("Official Herald of RS", Nos. 51/09 and 99/11 - other law);

11) Application forms in the Regulation on the export and import of goods that could be used for the execution of death penalty, torture or other cruel, inhuman or degrading treatment or punishment ("Official Herald of RS", No. 120/17);

12) A form in the Regulation on the criteria for determining what, in the sense of the Value Added Tax Act, is considered to be predominant circulation of goods abroad ("Official Herald of RS", Nos. 124/04, 27/05, 4/13 and 21/15);

13) Forms in the Regulation on the manner and time limit for payment of compensation for applied geological research of mineral and other geological resources and compensation for retention of the research area ("Official Herald of RS", No. 10/16);

14) Forms in the Regulation on the method of payment of compensation and conditions for deferral of payment of debt originating from compensation for the use of mineral resources and geothermal resources ("Official Herald of RS", No. 16/16 and 8/17);

15) Forms in the Regulation on the treatment of ozone-depleting substances, as well as the

conditions for issuing licenses for import and export of those substances ("Official Herald of RS", No. 114/13 and 23/18);

16) Forms in the Regulation on the handling of gases treated with fluorine that have greenhouse effects, as well as the conditions for granting licenses for import and export of those gases ("Official Herald of RS", No. 120/13);

17) Article 3, paragraph 6, and to the form prescribed in Article 7 of the Regulation on Provisional Terms for the Performance of Flour Trade ("Official Herald of RS", Nos. 69/06 and 49/10);

18) Article 33 of the Regulation on the allocation of foreign permits for international public transport of objects to domestic carriers ("Official Herald of RS", No. 113/15);

19) Article 4 paragraph 1, item 13), Article 11 paragraph 1, item 10), Article 14, item 14), Article 19 paragraph 1, item 6), Article 20 paragraph 1, item 9), Article 21 paragraph 1, item 5), Article 22 paragraph 1, item 5), Article 23 paragraph 1 item 9), Article 25 paragraph 1 item 11) and Article 27 paragraph 1 item 8) in the Regulation the content of the Register of Applications and the Register of Trademarks, the content of requests and proposals submitted in the procedure for recognition and protection of the trademark and the data published in the official gazette of the competent authority ("Official Herald of RS", No. 43/10);

20) Article 4 paragraph 16), Article 8 paragraph 1 item 11), Article 16 paragraph 1 item 9), Article 20 paragraph 1 item 5), Article 21 paragraph 1 item 8), Article 23, paragraph 1, item 10), Article 25, paragraph 1, item 7) and Article 28, paragraph 1, item 7) of the Regulation on the contents of the Register of Applications and Register of Industrial Design, the content of the applications submitted in the procedure for recognition and protection industrial design rights and data published in the official gazette of the competent authority ("Official Herald of RS", No. 43/10);

21) Forms prescribed in Article 20 paragraph 1, Article 21, paragraph 1 and Article 25, paragraph 1, in the Regulation on the conditions and procedure for obtaining the status of privileged electricity producer, temporary privileged producer and producer of electricity from renewable energy sources ("Official Herald of RS", Nos. 56/16 and 60/17);

22) Application form prescribed in the Regulation on determining the conditions, criteria and manner of accreditation for performing the activities of regional development and revoking accreditation before the expiration of the period of its validity ("Official Herald of RS", No. 74/10 and 4/12);

23) Form in the Rulebook on incentives for the implementation of activities in order to raise competitiveness through the introduction and certification of the quality system for food, organic products and products with a geographical indication ("Official Herald of RS", No. 41/17);

24) Application form in the Rulebook on incentives for the improvement of economic activities in villages through support to non-agricultural activities ("Official Herald of RS", No. 67/16);

25) Article 17, paragraph 2, item 13), Article 19, paragraph 2, item 2, sub-item (5), the Rulebook on the conditions for placing on the market and the manner of marking caught wild game and wildlife trophies, as well as on the manner of keeping records ("Official Herald of RS ", Nos. 16/12, 31/12 and 67/13);

26) Application forms in the Rulebook on the form and content of the application for issuing the license, the permit form and other forms accompanying the export and import of weapons and military equipment ("Official Herald of RS", No. 28/15);

27) Application form in the Rulebook on incentives for the implementation of activities with a view to raising competitiveness through the diversification of economic activities through support to investments in processing and marketing in farms ("Official Herald of RS", No. 88/17);

28) Article 7, paragraph 2, and the form in the Rulebook on the contents and manner of keeping records on volunteering and submitting volunteering reports ("Official Herald of RS", No. 92/10);

29) Forms in the Rulebook on detailed conditions and procedure for allocating funds for co-financing of projects ("Official Herald of RS", Nos. 6/10 and 69/10);

30) Forms in the Rulebook on the allocation of the tax identification number to legal persons, sole traders and other entities for whose registration the competence falls into the scope of the Agency for Business Registers ("Official Herald of the Republic of Serbia", Nos. 32/09, 70/10, 6/12, 11/16 and 100/16);

31) Forms in the Rulebook on trade records ("Official Herald of RS", No. 99/15);

32) Application forms in the Rulebook on energy license ("Official Herald of RS", No. 15/15);

33) Annexes to the Rulebook on requirements for designing, developing and evaluating the compliance of gas appliances ("Official Herald of RS", No. 41/15);

34) Article 9d, paragraph 3, in the Rulebook on the health insurance certificate and the special document for the use of health care ("Official Herald of RS" Nos. 68/06, 49/07, 50/07 - correction, 95/07, 127/07, 37/08, 54/08, 61/08, 1/09, 25/09, 42/10, 45/10, 103/10, 89/11, 91/11 - correction, 34/12, 78/12, 81/12 - correction, 96/12, 98/12 - correction, 114/12, 110/13, 71/14, 17/15 - CC, 91/15 and 98/16);

35) Forms in the Rulebook on control of seed production, content and method of keeping records on the production of seedlings of agricultural plants and form of a report on the production of mycelium of edible and medicinal mushrooms ("Official Herald of RS", No. 60/06);

36) Forms in the Rulebook on the license for carrying out energy business and certification ("Official Herald of RS", No. 87/15);

37) Form in the Rulebook on the manner of keeping records of volunteering organizers ("Official Herald of RS", No. 92/10);

38) Forms in the Rulebook on the manner of keeping mandatory records of realized turnover per automaton ("Official Herald of RS", No. 129/04 and 16/11);

39) Form in the Rulebook on the manner of keeping mandatory records on the realized turnover by bookmakers ("Official Herald of RS", No. 129/04);

40) forms in the Rulebook on the manner of keeping the Register of persons authorized to carry out the export and import of weapons and military equipment, brokerage services and technical assistance ("Official Herald of the Republic of Serbia" No. 28/15);

41) Article 28 paragraph 2, paragraph 3, item 7) and paragraph 4, article 29 paragraph 3, paragraph 4, item 8) and paragraph 5, Article 29a paragraph 2, paragraph 3, item 8), Article 34, paragraph 4, item 8) and paragraph 5 and the form in the Rulebook on the manner and procedure for exercising VAT exemptions with the right to deduction of the previous tax ("Official Herald of RS", Nos. 120/12, 40/15, 82/15, 86/15, 11/16 and 21/17);

42) Forms in the Rulebook on the manner and procedure for the production of fruit trees, vines and hops planting material ("Official Herald of RS", Nos. 40/06, 58/06 and 51/09);

43) Forms in the Rulebook on the manner and conditions for payment of tax liability through compensation ("Official Herald of RS", No. 63/03);

44) Article 3, paragraph 1, and the form in the Rulebook on the manner of exercising the right to basic incentives in plant production and the form of request for exercising these incentives ("Official Herald of RS" Nos. 29/13 and 9/16);

45) Form and appendices in the Rulebook on the manner of exercising the right to incentives in livestock production for the production of consumable fish ("Official Herald of RS" Nos. 61/13 and 44/14);

46) Article 5 of the Rulebook on the manner of internal whistleblowing, the manner of determining the authorized person with the employer, as well as other issues of importance for internal whistleblowing with an employer that has more than ten employees ("Official Herald of RS", No. 49/15);

47) Article 6 of the Rulebook on the manner of determining and recording the users of public funds and on the conditions and manner for opening and abolishing the sub-account with the Treasury Administration ("Official Herald of RS" No. 113/13, 8/14 and 24/16);

48) Form in the Rulebook on the shape and content of the report on the operation of the free zone ("Official Herald of RS", No. 70/06 and 117/17);

49) Forms in the Rulebook on forms of the report on the management of packaging and packaging waste ("Official Herald of RS", No. 21/10 and 10/13);

50) Form in the Rulebook on the form and contents of the application for registration in the Register of distributors and importers of plant protection products and the content of that register ("Official Herald of RS", No. 5/10);

51) Application forms in the Rulebook on the form and content of the application for registration in the Register of means for plant nutrition and enhancement of soil and the content and method of keeping that register, the contents of the requests and documentation attached to the request for the use of means of plant nutrition and soil enhancement used for scientific and research purposes and placed on the market for a certain period of time and in a certain quantity ("Official Herald of RS", No. 104/09);

52) Article 2, paragraph 2, item 6) and in the application form in the Rulebook on the form and content of the application for registration in the Register of distributors and importers of plant nutrition products and the content and manner of keeping that register ("Official Herald of RS" Nos. 66/09 and 46/11);

53) Article 6, paragraph 1, and forms in the Rulebook on the form of the notification about the sending of employees to work temporarily abroad ("Official Herald of RS", No. 111/15);

54) Article 60 paragraph 5 of the Rulebook on general conditions for the provision of postal services ("Official Herald of the RS" Nos. 24/10, 58/10, 2/11, 13/11, 65/11, 93/13 and 97/15);

55) Form in the Rulebook on filing a tax return electronically for large taxpayers ("Official Herald of RS", No. 18/12 and 113/13);

56) Application forms in the Rulebook on incentives for investments in the processing and marketing of agricultural and food products and fishery products for procurement of equipment in the milk, meat, fruits, vegetables and grapes sector ("Official Herald of RS", No. 29/17);

57) Application forms in the Rulebook on incentives for investments in the physical property of an agricultural holding for the purchase of new machinery, equipment and quality breeding stock for the improvement of primary agricultural production ("Official Herald of RS", No. 36/17 and 26/18);

58) Application forms in the Rulebook on incentives for investments in the physical property of an agricultural holding for the purchase of a new tractor ("Official Herald of RS", No. 29/17);

59) Article 9, paragraph 2, item 3) and Article 12, paras. 2 and 3 of the Rulebook on incentives for the conservation of plant genetic resources ("Official Herald of RS", No. 85/13);

60) Form in the Rulebook on incentives for the conservation of animal genetic resources ("Official Herald of RS", No. 83/13, 35/15 and 28/16);

61) Form in the Rulebook on incentives for the implementation of activities in order to raise competitiveness through the introduction and certification of the quality system for food, organic products and products with a geographical indication ("Official Herald of the RS", No. 41/17);

62) Form in the Rulebook on incentives for programs for income diversification and improvement of quality of life in rural areas through support to young farmers ("Official Herald of the RS", No. 29/17 and 33/17);

63) Form in the Rulebook on incentives for investment programs in agriculture for improving competitiveness and achieving quality standards through support for improving the quality of wine and brandy ("Official Herald of RS" Nos. 48/13, 33/16 and 18/18);

64) Application form in the Rulebook on incentives in programs for improving the competitiveness for investments in the physical property of agricultural holdings through the support of raising multi-year orchards, vineyards and hops fields ("Official Herald of RS", No. 37/17);

65) Forms in the Rulebook on tax identification number ("Official Herald of RS", No. 57/03, 68/03, 32/09 and 48/10);

66) Article 13, paragraph 2 and Article 17, paragraph 2, and the forms in the Rulebook on the ledgers and presentation of the financial results in the system of simple accounting ("Official Herald of RS" No. 140/04);

67) Article 4, paragraph 2, indent 3 in the Rulebook on the procedure and manner of issuing and the appearance of forms of residence certificates ("Official Herald of RS", No. 80/10);

68) Article 6b, paragraph 6, and the forms in the Rulebook on the procedure for exercising the right to VAT refund and on the manner and procedure of VAT recompense and refund ("Official Herald of RS" Nos. 107/04, 65/05, 63/07, 107/12, 120/12, 74/13 and 66/14);

69) Article 18, paragraph 10, and the forms in the Rulebook on fiscal implementation procedure, the contents of records on authorized services and servicemen, and the appearance, content and

manner of keeping files and a service booklet of the fiscal cash register ("Official Herald of RS" No. 140/04);

70) Appendix IV of the Rulebook on the inspection of pressure equipment during the service life ("Official Herald of RS", Nos. 87/11 and 75/13);

71) Article 4, paragraph 1, item 12), Article 5, paras. 1, 3 and 4 of the Rulebook on the travel certificate for domestic passenger transit transport ("Official Herald of RS", No. 16/17);

72) Article 4, paragraph 1, item 12), Article 5, paragraph 4 of the Rulebook on the travel certificate for international transit transport passengers ("Official Herald of RS", No. 19/17);

73) Article 5, paragraph 2, item 1), sub-item (2), Article 11, paragraph 4 of the Rulebook on the registration of motor vehicles and their trailers ("Official Herald of RS" Nos. 69/10, 101/10, 53/11, 22/12, 121/12, 42/14, 108/14, 65/15, 95/15 and 71/17);

74) Article 21, paragraph 2, and the Appendices in the Rulebook of the register of chemicals ("Official Herald of RS", Nos. 16/16, 6/17 and 117/17);

75) Form in the Rulebook on the consent for storage and supply of petroleum, petroleum derivatives and biofuels for own needs ("Official Herald of RS", No. 12/16);

76) Article 2, item 20) of the Rulebook on the content of the requests for obtaining a license for the production, i.e. trade of precursors of the first, second or third category ("Official Herald of RS", No. 21/17);

77) Application form in the Rulebook on the content and manner of keeping records of organizations in diaspora and records of organizations of Serbs in the region ("Official Herald of RS", No. 6/10);

78) Forms in the Rulebook on the content and manner of labeling the outer and inner packaging of a medicine, additional marking, as well as the contents of the instructions for the medicine ("Official Herald of RS", No. 41/11);

79) Article 4 of the Rulebook on the content of calculation of earnings, i.e. compensation of earnings ("Official Herald of RS", No. 90/14);

80) Form in the Rulebook on the content of the tax return for the calculation of corporate income tax ("Official Herald of RS", No. 30/15 and 101/16);

81) Article 4, paragraph 2 and Article 9, paragraph 2, items 5) and 8) and paragraph 6, item 3) and paragraph 9, items 4) and 6) and in the forms in the Rulebook on the content, manner of keeping and appearance of the Register of warehouse receipts for agricultural products, as well as the content and manner of issuing the warehouse receipt, the manner of keeping records on issued warehouse receipts and the form of the warehouse receipt ("Official Herald of the Republic of Serbia" No. 35/10 and 10/14);

82) Forms in the Rulebook on contents of records on bases for calculation and payment of a fee for organizing special games of chance in gaming rooms and tips and on the content of monthly calculation of the fee for organizing these games ("Official Herald of RS", No. 35/06);

83) Article 2 item 7), Article 5 item 8), Article 7 item 10), Article 18 item 13), Article 20 paragraph 2 item 4), Article 22 item 8), Article 23 Item 8) and Article 25, item 7) in the Rulebook on the content of the request for the registration of designations of geographical origin and the content of the request for recognition of the status of an authorized user of the geographical indication ("Official Herald of RS", No. 93/10);

84) Article 2, paragraph 1, item 9) in the Rulebook on the content and appearance of the volunteering certificate ("Official Herald of RS", No. 92/10);

85) Forms in the Rulebook on the content and manner of keeping records by the producers of tobacco products, wholesalers and retailers of the tobacco products, importers and exporters of tobacco, processed tobacco, i.e. tobacco products ("Official Herald of RS", No. 114/05 and 118/07);

86) Article 8 of the Rulebook on the contents and manner of keeping the cellar records ("Official Herald of RS", No. 102/16);

87) Article 8 item 12) and Article 9 item 16) in the Rulebook on the content and manner of keeping the Registers and records on the production, processing and trade of tobacco and tobacco products ("Official Herald of RS", No. 114/05);

88) Article 5, paragraph 2, item 8) of the Rulebook on the content and manner of keeping the Register of legal persons for carrying out veterinary activities and the Register of sole traders who perform veterinary activities ("Official Herald of RS", No. 11/08);

89) Form in the Rulebook on the content and manner of keeping the register of associations, societies and associations in the field of sport ("Official Herald of RS", No. 32/16);

90) Article 2, paragraph 1, item 13) and the forms in the Rulebook on the content and manner of registering transactions by issuing a fiscal account, the manner of remedying the error in recording the turnover through the fiscal cash register and the contents and keeping of a ledger of daily reports ("Official Herald of RS" No. 140 / 04);

91) Article 14 paragraph 2, Article 32, paragraph 2, and Article 46, paragraph 2 in the Rulebook on the content and manner of drafting the hunting planning documents ("Official Herald of RS", No. 9/12);

92) Article 3 item 3), Article 7 item 3), Article 11 item 3) and forms in the Rulebook on the content and form of the application for issuing water acts, the content of the opinion in the procedure for issuing water conditions and the contents of the report in the procedure for issuing water license ("Official Herald of RS", number 72/17);

93) Form in the Rulebook on the content and form of the application for the recognition of the variety of an agricultural plant, as well as the documentation accompanying this application ("Official Herald of RS", No. 53/10);

94) Form in the Rulebook on the content and form of the application for registration of a foreign fruit and vine variety in the Register of agricultural plant varieties ("Official Herald of RS" No. 72/10);

95) Article 3, paragraph 1, item 6) of the Rulebook on the content and form of the application for use of genetically modified organisms in closed systems, the manner of protecting confidential data from the application, as well as the contents of the application for renewal of approval for use in closed systems ("Official Herald RS ", No. 69/12);

96) Forms in the Rulebook on the content of the application for registration in the Register of payers of income on the basis of entertainment programs featuring pop and folk music and other entertainment programs and the contents of the notice on concluded contracts for performance of these programs ("Official Herald of RS" No. 139/04);

97) Forms in the Rulebook on the contents of the application for registration in the Employers register ("Official Herald of RS", No. 102/06);

98) Article 5, paragraph 1, item 10) of the Rulebook on the contents of registers, applications and requests in the procedure for the protection of topographies of semiconductor products, as well as on the types of data, manner of filing the application and publishing topographies ("Official Herald of the RS" No. 8/14);

99) Application form in the Rulebook on the content, appearance and manner of completing the application for the issuance of an integrated permit ("Official Herald of RS", Nos. 30/06 and 32/16);

100) Article 16, paragraph 5, and forms in the Rulebook on technical and functional characteristics and technical correctness of machines and gaming tables ("Official Herald of RS", No. 12/10);

101) Form in the Rulebook on the entry in the Register of agricultural holdings and renewal of the registration, as well as the conditions for passive status of an agricultural holding ("Official Herald of the Republic of Serbia" Nos. 17/13, 102/15, 6/16 and 46/17);

102) Article 38, paragraph 2 of the Rulebook on conditions for obtaining a license for the performance of radiation activities ("Official Herald of RS", Nos. 61/11 and 101/16);

103) Article 13, paragraph 1, item 3) and Article 15, paragraph 1, item 3), and the forms in the Rulebook on conditions for allocation and use of the funds of the Budget Fund for waters of the Republic of Serbia and on the manner of allocation of these funds ("Official Herald of RS" Nos. 13/17 and 79/17);

104) Article 6, paragraph 1 of the Rulebook on conditions and manner of keeping accounts for payment of public revenues and the allocation of funds from those accounts ("Official Herald RS" Nos. 16/16, 49/16, 107/16, 46/17, 114/17 and 36/18);

105) Application form in the Rulebook on the conditions and manner of exercising the right to

incentives in livestock breeding for quality breeding stock ("Official Herald of RS", Nos. 26/17, 20/18 and 34/18);

106) Form in the Rulebook on the conditions and manner of exercising the right to incentives in livestock breeding for dairy cows ("Official Herald of RS", Nos. 46/15 and 26/18);

107) Form in the Rulebook on the conditions and method of exercising the right to incentives in cattle breeding for cows for calf fattening ("Official Herald of RS", Nos. 36/17 and 25/18);

108) Forms in the Rulebook on the conditions and manner of exercising the right to incentives in livestock breeding for fattening of vealers, fattening of pigs, fattening of lambs and fattening of young goats ("Official Herald of RS", Nos. 111/15, 9/16 and 110/16);

109) Form in the Rulebook on the conditions and method of exercising the right to incentives in livestock breeding per hive of bees ("Official Herald of RS" No. 33/15, 14/16 and 20/18);

110) Article 14, paragraph 3 of the Rulebook on the conditions and procedure for obtaining, renewing and revoking the excise permit, the manner and control of forwarding and delivering products into an excise warehouse and on keeping of records in the excise warehouse ("Official Herald of RS" Nos. 41/09, 99/12, 64/13 and 67/15);

111) Form in the Rulebook on conditions, manner and application form for exercising the right to incentives for the premium in insurance of crops, fruits, perennial plants, nurseries and animals ("Official Herald of RS", No. 61/17);

112) Forms in the Rulebook on the conditions, manner and application form for exercising the right to milk premium ("Official Herald of RS" Nos. 28/13 and 36/14);

113) Form in the Rulebook on conditions, manner and application form for exercising the right to fertilizer refund ("Official Herald of RS", No. 30/18);

114) Article 15, paragraph 1, item 7) of the Rulebook on the conditions, content and manner of issuing certificates on energy properties of buildings ("Official Herald of RS", No. 69/12);

115) Forms in the Decision on detailed conditions for payment, i.e. charging in goods, i.e. services ("Official Herald of RS", No. 109/05);

116) Forms in the Decision on the application forms for the main registry of insured persons and beneficiaries of rights from pension and disability insurance ("Official Herald of RS", Nos. 118/03, 11/06, 54/10 - other regulation);

117) Appendix to the Decision on the conditions under which banknotes and coins can be reproduced ("Official Herald of RS", No. 18/11).

Article 161

This Act enters into force on the following day from the day of its publication in the "Official Herald of the Republic of Serbia", except:

1) Provisions of Arts. 1 to 26, Arts 28 to 78, Arts. 81 to 118, Arts. 121 to 128, Arts. 130 to 149, Arts. 152 to 158 and Article 160 of this Act, which apply from 1 October 2018;

2) Provisions of Arts. 129, 150 and 151 of this Act, which apply from 1 January 2022.

Independent Article of the Law on Amendments and Supplements of the Companies Act Enterprises

("Official Herald of RS", No. 95/2018)

Article 7

This Law enters into force on the day following its publication in the "Official Herald of the Republic of Serbia".

PUBLISHER’S NOTE

* Provisions of Article 181 of the Companies Act ("Off. Herald of RS", Nos. 36/2011 and 99/2011) ceased to be effecitve as of 13 August 2014, on the day of entry into force of the Act on Amendments and Supplements to the Bankruptcy Act ("Off. Herald of RS", No. 83/2014).
** The provision of Article 287 paragraph 5 of the Companies Act ("Off. Herald of RS", Nos. 36/2011, 99/2011, 83/2014 - other law and 5/2015) ceases to be applicable on the day of accession of the Republic of Serbia to the European Union.