

COMPANY LAW OF FEDERATION OF BOSNIA AND HERZEGOVINA

SECTION ONE: COMMON PROVISIONS

I – GENERAL PROVISIONS

Article 1 **(Common Provisions)**

This Law shall govern the founding, operation, management and termination of companies (hereinafter referred to as company) in the Federation of Bosnia and Herzegovina (hereinafter referred to as the Federation).

Article 2 **(Company)**

- (1) Company is a legal entity which independently performs the activity of manufacturing and sale of goods and provision of services in the market for the purpose of gaining profit.
- (2) Company may be formed by local and foreign natural persons and legal entities, unless otherwise provided by law.

Article 3 **(Forms of Companies)**

- (1) Company may be organized in one of the following forms:
 - (a) general partnership;
 - (b) limited partnership;
 - (c) joint stock company;
 - (d) Limited liability Company.
- (2) Provisions of this law in which the word “company” is used without providing the full name of one of the forms referred to in paragraph 1 of this Article, shall apply to all companies.

Article 4 **(Legal Capacity)**

- (1) Company shall acquire the capacity of a legal entity as of the date of its registration into the Company Register as provided by the Law on Business

Registration in Federation of Bosnia and Herzegovina (hereinafter referred to as Company Register).

(2) Company shall be liable for its liabilities with its entire property.

(3) No person may act in the name of the company before its registration into the Company Register.

(4) Any person acting contrary to the provision of paragraph 3 of this Article shall cover all the incurred liabilities with his/her total property, and in case more than one person acting in such a manner they shall be jointly and severally liable.

Article 5

(Liability)

(1) Each member in a general partnership, as well as general partner in a limited partnership shall be jointly and severally liable with his/her entire property for the liabilities of the company.

(2) General partner in limited partnership, shareholder of a joint stock company, owner of membership interests in a limited liability company, as well as limited liability partner shall not be liable for company's liabilities unless he/she:

a) uses the company for achieving a personal goal that is not consistent with the goals of other company members and the company as a whole;

b) manages the company assets as his/her personal assets;

c) uses the company to commit fraud or cause damage to his/her creditors;

d) affects a decrease of the company's assets in his/her own favor, or in favor of third persons, or affects the company to assume liabilities although he/she had known or should have known that the company is not and will not be capable of fulfilling its liabilities.

Article 6

(Activity)

(1) Company shall start to perform its activity after the registration into the Company Register and publication of the registration in accordance with the law which governs company registration.

(2) Those activities which under the law may be performed only with an approval, permission or another enactment of a competent authority may be performed on the basis of the approval, permission or another enactment from the competent authority.

(3) If the law or another regulation does not establish the requirements for obtaining the approval, permission or another enactment from the competent authority referred to in paragraph 2 of this article, the Federation ministries shall determine such requirements in accordance with this law, each within its scope of competence.

(4) Those activities which, under separate law, are carried out in a particular form of a company may not be performed in another form of a company.

Article 7

(Conducting other activities)

(1) Company may conduct business only within the activity entered into the Company Register.

(2) (2) A company may conduct other business that is normally conducted alongside the activities entered into the Company Register, to the extent and in the manner necessary for its operations, and does not constitute conduct of such business as a regular activity.

Article 8

(Validity of activities)

Business concluded by a person, who is authorized to represent the company by the virtue of his/her position or otherwise, shall be valid for a third person, even if the concluded business is outside of the activity entered into the Company Register, unless the third person had known or should have known that such business is outside of the activity of the company.

Article 9

(Head office)

(1) Company head office is the place which is entered into the Company Register as the head office.

(2) The head office shall be identified under the founding charter or the statute.

Article 10

(Branch offices)

(1) A company, domestic or foreign, may form one or more branch offices outside the place of the head office in which it conducts its activities.

(2) Branch office shall be formed under a decision on founding adopted by the competent company body in accordance with the company founding charter or the statute.

(3) Branch offices shall not have the capacity of a legal entity.

(4) Branch office shall have a place of operations and a representative, and shall conduct business with third persons in the name and on behalf of the company.

(5) Branch offices of a domestic company shall be entered into the Company Register in the registration court in which the company is Registered.

(6) Branch offices of a foreign company shall be entered into the Company Register within the registration court in whose territory the branch office is located.

II - COMPANY NAME

Article 11

(Definition)

- (1) Company name is the name under which the company operates.
- (2) Company name must be displayed at the company's business premises.

Article 12

(Elements)

(1) The company name of a general partnership must contain the family name of at least one of the partners, with designation that there are more partners and the designation "d.n.o."

(2) The company name of a limited partnership must contain the family name of at least one of the general partners and the designation "k.d." and may not contain the names of the limited partners.

(3) The company name of a limited liability company must contain the designation "d.o.o."

(4) The company name of a joint stock company must contain the designation "d.d."

(5) The company name referred to in paragraphs 1 and 2 of this Article must contain the company name of another company that is a member of a general partnership or of a general partner within a limited partnership.

Article 13

(Language)

(1) The company name must be written in one of the languages that are in the official use in the Federation, and the translation into a foreign language may be used only together with the company name in one of the languages that are in the official use in the Federation.

(2) The company name may contain foreign words that are common or if there is no appropriate word for them in a language that is in the official use in the Federation.

Article 14

(Additional elements)

(1) The company name may contain additional elements which more specifically designate the company and its head office.

(2) The company may use an abbreviated company name which must contain designations that distinguish it from other company names, as well as the designation of the form of the company.

(3) The company name of the branch office must contain the full name of the company, designation of its branch office status as well as the location of the branch office.

Article 15

(Prohibited elements)

The company name may not contain:

- a) words and designations which are contrary to the law;
- b) protected trademarks or servicemarks of other legal entities and natural persons;
- c) official symbols and signs;
- d) names or signs of foreign countries or international organizations;
- e) words and designations that could create confusion with regard to type and scope of operations or that could lead to mistaken identity with another company's name or sign or that could violate rights of other persons.

Article 16

(Optional elements)

(1) The company name may contain words "Bosnia and Herzegovina" and its derivatives and abbreviations on the basis of the approval from the competent authority specified under a separate law.

(2) The company name may contain word "Federation" and its derivatives and abbreviations solely on the basis of an approval from the competent authority specified under a separate law.

(3) The company name may contain the name of the canton, city or municipality and its derivatives and abbreviations solely on the basis of an approval from the competent cantonal or municipal authority specified under a separate law, in the territory in which the company has its head office.

(4) The company name may contain the first name and family name of the person who is not a founder of the company only upon authorization of the person concerned or his/her legal successors.

(5) Upon request of the bodies and persons referred to in paragraphs 1, 2, 3 and 4 of this Article, the court of registration shall delete from the Register the words and names entered as additional elements of the company name.

Article 17

(Name of the company member as an element of the company name)

(1) If the company name of a general partnership or a limited liability partnership contains the family name which is already contained in a previously registered company name, a name or another additional element that distinguishes it from the already registered company name must be entered into the company name.

(2) If the family name of the person remained within the company name after termination of his/her membership in the company, the court will delete his/her family name from company name in the Company Register upon his/her request or request of his/her successors.

Article 18

(Principle of exclusivity of the company name)

(1) The company name must be clearly distinguished from other companies' names.

(2) The court of registration shall refuse to register into Company Register a company, the name of which is contrary to the provisions of this law or which is not clearly distinguished from already registered company names in the Federation.

(3) In case it considers that a company name of another company is not clearly distinguished from its previously registered company name, any company is entitled to request termination of use and deletion from the Company Register of the name of the other company and compensation of the suffered damages through lawsuit before the court within three years from the day of registration of the disputed company name into the Company Register.

Article 19

(Principle of primacy)

(1) If same company names or company names which are mutually not clearly distinguished are submitted to the court for the purpose of registration into the Register, the court shall enter that company which had been submitted the first.

(2) Notwithstanding the provisions of paragraph 1 of this article, the company name that was submitted the second shall be registered, if the applicant subsequently proves that at the time that at the time of the first application, he/she used that specific company name or its important elements in the market as the designation of his/her company or as a trademark or servicemark to designate his/her products or services and that he/she had done so before the first applicant.

Article 20

(Mandatory registration into the Company Register)

(1) The company name and the abbreviated company name shall be entered into the Company Register.

(2) The company shall be required to use the full or abbreviated company name, as entered into the Company Register, in its operations.

Article 21

(Business Correspondence)

All business correspondence and purchase orders must contain :

a) full company name and address of the company's head office;

b) full company name and address of the company's branch office;

c) name and head office of the institution with which the company is entered into the Register;

d) number of the account with the name and the head office of the financial institution with which the company holds the account, if the company has multiple accounts, for each of them;

e) company's tax identification number.

Article 22

(Transfer of company name)

The company name may be transferred only in case of the transfer of the company.

III - REPRESENTATION

Article 23

(Representation)

(1) The company shall be represented by the management.

(2) The management shall organize the work and manage operations, represent the company and be responsible for the legality of company operations.

(3) The management shall consist of persons authorized under the founding charter or statute of the company, in accordance with the law, to manage company operations.

(4) The company may also be represented by other persons specified in the founding charter or statute, in accordance with the law.

(5) The persons authorized for representation shall be entered into the Company Register.

Article 24

(Authorized Persons)

(1) The person holding authorizations for representation which are entered into Company Register, shall be authorized to undertake all actions and conduct all business in the name and on behalf of the company within the scope of authorizations entered into the Company Register.

(2) The person holding authorizations for representation who exceeds the limitations on authorizations referred to in paragraph 1 of this Article shall be liable for the damages caused therewith to the company or the third person with whom the business has been concluded.

Article 25

(Liability)

(1) The person entrusted with conducting specific work within the activity of the company, shall be authorized to undertake all the actions and conclude business which are normally performed or which arise alongside the work entrusted.

(2) The company shall be liable for obligations incurred in its name by a person it has authorized by exceeding the authorizations, if the third person had not known or could not have known about the exceeding of the authorizations.

Article 26

(Procuration)

(1) Procuration is a written authorization for undertaking all legal actions and operations in the name and on behalf of the company, except for the transfer of or imposing encumbrances on real property, unless such authorization has been expressly granted.

(2) Procuration may be granted only for a branch office, which shall be expressly entered in the Company Register, and in the course of the procurator's conduct of business, and otherwise the procuration shall be considered to be granted for the company as a whole.

(3) Procuration may be granted to any adult person with full business capacity regardless of duties and activities conducted, unless otherwise provided under the founding charter or the statute of the company.

(4) Procuration may not be granted to a legal person.

(5) Procuration shall not be transferable.

Article 27

(Granting procuration)

(1) The company may grant procuration to one or more natural persons in accordance with the founding charter or the statute.

(2) Procuration may be granted simultaneously for several persons who jointly represent the company, and the declaration of intent of the third person granted only to one of them shall be legally valid.

Article 28

(Joint Procuration)

(1) If the procuration is granted to two or more persons without designation that it is a joint procuration, each of those persons shall be the procurist who independently represents the company within the scope of authorizations specified by law.

(2) Procuration granted to two or more persons shall be considered a joint procuration only if expressly provided so by the procuration.

(3) Declarations of intent or legal actions made by joint procurists shall cause legal consequences only of done jointly by all joint procurists.

(4) Declarations of intent or legal actions done by one of joint procurists shall be valid only with the express previous consent, or express subsequent consent of other joint procurists.

(5) Declaration of intent or legal action done towards one of the procurists shall have legal effect as being made towards all of them.

(6) Knowledge of legally deciding facts or fault of one joint procurist shall cause legal consequences for the provider of the procuration regardless of the knowledge or fault of other joint procurists.

Article 29

(Procuration limitation)

(1) Limitation on procuracy which is not foreseen under this law shall have no effect towards third persons, regardless of the fact whether the third person knew about it or had to know about it.

(2) Limitation on procuracy imposed on operations of one or more branch offices shall have effect towards the third persons only if entered into the Company Register.

Article 30

(Procurist Authorization)

The procurist may not act as a second party to a contract and enter into contracts on his own name and on his own behalf, in his own name and on behalf of other persons, or in the name of and on behalf of other persons with the company without a separate authorization from the company.

Article 31

(Procuracy initiation and termination)

(1) The company shall be required to report granting and termination of procuracy for registration into the Company Register.

(2) Procurist shall deposit his/her signature with the registration of court, and in the course of representing the company he/she shall be required to accompany his/her signature with designation that he/she acts as a procurist.

(3) Procuracy shall end by revocation by the company and resignation by the procurist.

Article 32

(Persons with special duties towards the company)

(1) Special duties towards the company shall be had by:

- a) members of a general partnership and general partners in a limited liability partnership
- b) member of a limited liability company who owns substantial share in the company's share capital or member of a limited liability company who is a controlling member of the company in the sense of related parties,
- c) shareholder who owns substantial share in the company's share capital or shareholder who is a controlling shareholder in the sense of related parties
- d) members of management, chairperson and members of the Supervisory Boards, representatives and procurators,
- e) liquidation trustee

(2) Substantial share in the company's equity in the sense of paragraph 1, items b) and c) shall constitute the share of at least 20% in the company's equity.

(3) Controlling member or shareholder of the company in the sense of paragraph 1, items b) and c) shall constitute persons with more than 50% of voting rights based

on common shares or that possess controlling influence in managing and leading the activities of the company.

- (4) Persons referred to in paragraph 1 of this Article shall carry out their work conscientiously, with diligence of a prudent businessman and in a reasonable conviction of acting in the best interest of the company (hereinafter referred as to attractive nuisance).
- (5) Person who acts with diligence of a prudent businessman shall not be liable for the damages which occur to the company from such judgment.

Article 33

(Filing a Lawsuit)

The company may file a lawsuit against the persons referred to in Article 32, paragraph 1, items d) and e) of this Law for compensation of damages that such person causes to the company by a breach of duty of prudence referred to in Article 32, paragraph 4 of this law.

Article 34

(Duty to disclose transactions and actions which involve personal interest)

(1) Personal interest shall exist if the person referred to in article 32, paragraph 1 of this law or a member of his family:

- a) is a contracting party in a legal transaction with the company,
- b) has a financial relationship with the person in the legal transaction who concludes a contract with the company or who has financial interests in that transaction, based on which it may be expected to influence his/her actions contrary to the company's interest,
- c) is under a controlling influence of the party in the legal transaction or the person who has a financial interest in the legal transaction or action so that it can be justifiably expected to influence his/her actions contrary to the company's interest .

(2) Family members of the person referred to in paragraph 1 of this Article shall be considered to be:

- a) his/her spouse, parent, brother or sister of that spouse,
- b) his/her child, parent, brother or sister,
- c) his/her cognate in a straight line and lateral line to the second degree of consanguinity, adoptive parent and adoptee, in-laws inclusive of the first degree,
- d) other persons who live in a joint household with that person.

(3) Persons referred to in Article 32 paragraph 1 and the paragraph 2 of this Article shall be considered related persons in the sense of this law (hereinafter referred to as related persons).

(4) For all operations referred to in paragraph 1 of this Article, the related persons shall present all the facts or obtain prior approval of the company's competent body, in

accordance with the statute.

Article 35

(Lawsuit for approving transactions which involve private interest)

(1) Company may file a lawsuit against the person referred to in Article 32, paragraph 1 of this law who had a personal interest in a legal transaction and seek compensation of damages if no prior approval for that legal transaction has been obtained or if the competent body of the company has not been presented with all the facts pertinent for making the decision to approve the legal transaction.

(2) If the respondent is a member of the management, the company shall be represented by a person appointed by the competent body of the company, in accordance with the company's statute.

Article 36

(Duty to avoid conflict of interest)

(1) Persons referred to in article 32, paragraph 1 of this law may not in their interest or in the interest of the parties related to them:

- a) use company's assets,
- b) use information which they have obtained in such capacity which are not publicly available,
- c) misuse their position in the company,
- d) use opportunities to conclude business which arise for the company.

(2) The duty to avoid conflict of interest shall exist regardless of whether the company was in the position to use the assets, information or concluded business referred to in paragraph 1 of this Article.

Article 37

(Lawsuit for breaching the duty to avoid conflict of interest)

(1) Company may file a lawsuit against the person referred to in Article 32 paragraph 1 of this law who breach the duty to avoid conflict of interest referred to in Article 36 of this Law, by which it may claim:

- a) compensation of damage, or
- b) transfer to the company of the benefit which such person or related party referred to in Article 34, paragraph 3 of the Law has attained as the outcome from such breach of duty

(2) If the respondent is a member of the management, the company shall be represented by a person appointed by the competent body of the company, in accordance with the company's statute.

IV - BUSINESS SECRET AND BAN ON COMPETITION

Article 38

(Business secret)

Information on operations that would clearly cause significant damage to the of a company if they came into possession third person without the company's consent shall be deemed business secret.

Article 39

(Information considered as business secret)

(1) The competent body of the company shall be required to define in writing which information shall have the character of business secret and the persons responsible for their use and protection.

(2) Data which is public under law and other regulations and data on violations of law and other regulations may not be defined as business secret.

Article 40

(Ban on Competition)

(1) General partner, limited partner, shareholder and member of management or Supervisory Board of a limited liability company, member of Supervisory Board or management of a joint stock company and procurist, may not take part in that capacity or as employee of another company or independent entrepreneur in the activity which is or could be in a competitive relationship with the activity of the first mentioned company without the approval of the company's competent body in accordance with the company statute.

(2) The founding charter or the statute of the company may set the duration of the ban even after the termination of the capacity referred to in paragraph 1 of this article for two years at most.

Article 41

(Compensation of damage)

The company may seek compensation of damage and assignment of concluded business, or transfer of realized benefits or rights from the concluded business from the person who violates the ban on competition within three months from learning about the violation and not later than three years from the committed violation of the ban on competition.

Article 42

(Organization of labor unions activities)

Company employees may organize a labor union or employee council in accordance with the Labor Law and the Law on Employee Council.

Article 43

(Ban on non-labor union activities)

No organizations may be established and any activities conducted that do not have the character of a labor union and labor union activities and employee council in accordance with the Labor Law and the Law on Employee Council.

V – EQUITY AND CONTRIBUTIONS

Article 44

(Equity)

(1) Equity of the company is the amount of the capital registered by the members of the company pursuant to the founding charter.

(2) Changes to the equity shall be registered pursuant to the statute or amendments to the statute.

(3) Limited liability company and joint stock company shall have the equity at least in the amount specified under this law.

(4) Higher amount of equity may be specified under separate laws for companies which perform special activities.

(5) Part of the equity which is equal to cash contributions may be paid fully or partially (subscribed, unpaid equity).

(6) Equity of the company may be increased or decreased.

(7) In case of decrease of equity, the equity may not be decreased below the amount of the minimum equity specified under this law.

Article 45

(Contributions)

(1) Equity in the course of founding of the company shall be secured by contributions of the members in cash, things and rights, whose value can be expressed in monetary terms.

(2) The contribution in things and rights shall be expressed in monetary terms and must be contributed in full before the company is entered into the Company Register.

Article 46

(Value of contributions)

(1) The value of contributions in things and rights must be specified in the founding charter or the statute of the company, if not determined otherwise by this law.

(2) The value of contributions in things and rights in a limited liability company and a joint stock company shall be determined on the basis of the assessment accepted by the agreement between all the founders.

Article 47

(Assessment of the Value of contributions)

The assessment referred to in article 46, paragraph 2 of this law must include the description, manner of expressing and assessed value of contributions and an assessment whether the contribution corresponds to the price of subscribed shares of a joint stock company or membership interests in a limited liability company that are paid by that contribution.

Article 48

(Obligation to settle the contracted value of contributions)

(1) In the event that the assessed value of contributions in things and rights does not reach the agreed amount by the time of the registration of company into the Company Register or by the time of the agreed deadline for payment in case of accession to the company, member of the company who committed to that contribution shall be required to pay the difference in cash.

(2) If the company has not acquired ownership over a thing which the member was under the obligation to enter as a contribution, the member of the company must pay in cash the worth of that thing, and the company must return it to him/her.

Article 49

(Members' rights)

The contribution shall give the member the right to share or membership interest within the company.

Article 50

(Business books and financial statements)

The company shall be required to maintain business books and prepare financial statements in accordance with law and other regulations.

VI – ASSOCIATED COMPANIES

Article 51

(Definition)

(1) Associated companies shall consist of two or more companies in accordance with this law, which are mutually affiliated, namely by:

- a) share in equity or membership interests (equity-related companies),
- b) contract (contract-related companies), and
- c) equity and contract (mixed related companies).

(2) Associated companies referred to in paragraph 1 of this Article shall include one parent and one or several subsidiary companies.

(3) Associated companies shall be organized as concern, holding, business association or another form of organization in accordance with this law.

(4) Associated companies shall be affiliated in accordance with regulations which govern maintenance of competition.

Article 52

(Parent and subsidiary company)

(1) If a company has majority share in the share capital of another company or if it has the right to appoint majority of members in the Supervisory Board or have a majority of votes in the General Agreement pursuant to a contract concluded with the other company, such company shall be considered the parent and the other company a subsidiary.

(2) A parent company with majority share in the equity shall be that company which, directly or indirectly through another company, on the basis of more than 50% share in the equity of another company has more than 50% of the votes in the General Meeting of the subsidiary company.

(3) Direct share in the equity which belongs to the parent company or another person who holds such share on its behalf shall be determined on the basis of the ratio of the nominal amount of such share to the total equity of the subsidiary company.

(4) In determining the share referred to in paragraph 3 of this article, own shares and membership interests of the subsidiary and shares and membership interests held by a third person on behalf of the subsidiary company shall be subtracted from the total equity.

(5) Indirect share in the equity which belongs to the parent company shall include shares and membership interests which belong to the company which is dependent upon it or which belong to a second party on behalf of the company or on behalf of the company which is dependent upon it (subsidiary companies).

(6) A subsidiary company may obtain shares and membership interests in the parent company and exercise its right to vote on the basis of the shares and membership interests which are already at its disposal, in accordance with the provision of this law on company with mutual shares.

Article 53

(Companies with mutual shares)

Companies with mutual shares in the equity shall be related parties where each company has a share in the equity of the other company.

Article 54

(Holding)

If the parent and one or more subsidiary companies, pursuant to a concluded

contract on running of the business, are unified under a common running of the business by the parent company, they shall constitute a holding, while individual companies shall be holding companies.

Article 55

(Concern)

If the parent company, pursuant to a concluded contract on running of the business, performs other activities in addition to the common running of the business of the subsidiaries, they shall constitute a concern, and the individual companies shall be concern companies.

Article 56

(Establishment of Legally Independent Companies)

Holding and concern, in accordance with Articles 54 and 55 of this Law may be also formed by legally independent companies, which are not dependant on each other.

Article 57

(Common provisions for associated companies)

(1) A parent company shall be jointly and severally liable to creditors in the bankruptcy procedure of a subsidiary company, if the bankruptcy was caused by binding orders, decisions or instructions of the parent company.

(2) If the parent company brings the subsidiary company into a position to execute a detrimental legal business or to act or fail to act to its detriment, it shall compensate the subsidiary company for the damages caused on such grounds.

(3) Request for compensation of damages referred to in paragraph 2 of this article, in the name of the subsidiary company, may be filed by shareholders and members of the subsidiary company who own or represent at least 10% of the share capital of that company or smaller part determined in the statute, as well as the creditors of the company whose claims amount to more than 10% of the share capital of the subsidiary company.

(4) In addition to the parent company, members of the management of the parent company who have brought the subsidiary company position to execute a detrimental legal business or to act or fail to act to its detriment shall be liable as joint debtors.

(5) Members of the management of the subsidiary company shall likewise be liable as joint debtors if they have breached their duties, unless they had acted under the instructions of the parent company's management.

Article 58

(Association of companies)

(1) An association of companies is an economic interest group that may be formed by two or more companies to improve, promote and harmonize the performance of their activities.

(2) Association of companies shall not be formed to gain profit.

(3) Association of companies shall be a legal entity.

(4) Association of companies shall be Registered in a Company Register in

accordance with the provisions of the law which govern the registration of business entities.

- (5) Designation “poslovno udruženje” shall be stated in the company name.

(6) Association of companies shall make transactions in the payments operations in its name and on behalf of its members and in the name and on behalf of its members.

(7) For the obligations assumed in the payments operations, the association of companies shall be liable with its property and its members shall be liable in the manner specified in the founding agreement or the contract with a third person.

(8) The founding agreement shall determine the name, time of founding and duration, goal and activity, head office, management, representation, liability, accession, withdrawal, making of transactions in the payments operations, exclusion, property, supervision, termination as well as other matters of importance for achievement of the goals of founding the business association.

Article 59

(Other forms of company affiliation)

Companies may affiliate by means of agreement into other forms of affiliation (consortium, franchising, community of companies, commercial union, business system, pool and others).

VII – COMPANY REGISTER

Article 60

(Company Register)

(1) Information about the company set forth in this Law shall be entered into Company Register.

(2) Company Register shall comprise the data register and documents register.

(3) Registration into the Company Register and publication of the registration shall be performed in accordance with the Law of Registration of Business Entities.

(4) Changes to company data and documents shall be registered into the Company Register.

Article 61

(Company's data and documents)

(1) It shall be deemed that third persons know of the registered data about the company after these have been published or upon publication of excerpts from such data or documents pursuant to which the registration had been carried out containing a reference to them.

(2) In case the data and documents submitted into the register file or registered in the Company Register are different from the published data, the published data shall not be binding for third persons, but that may refer to published data unless the company to which they pertain proves that third persons had known or could have known about the data and documents submitted into the register file or Registered in the Company Register.

Article 62

(Nullity of registration)

(1) Unless otherwise determined in the Law of Registration of Business Entities, the registration of founding of a business entity shall be null if:

- a) the number of founders is smaller than the number set forth in this law,
- b) there is no legal and business capacity of all the founders,
- c) the founding charter is not composed in the prescribed form,
- d) the founding charter does not contain the data on the business name of the company, value and type of contribution of each founder or the amount of share capital prescribed by this law or about the activity of the company,
- e) the minimum amount of the contribution has not been paid in accordance with this law
- f) the activity of the company is unlawful or contrary to public interest,
- g) the company founder or one of the founders is a member in the existing general partnership or a general partner in a limited liability partnership,
- h) the company founder or one of the founders is sole member of a limited liability company over which bankruptcy or liquidation proceedings have been initiated or against which a lawsuit referred to in article 355, paragraph 1, item 1) of this Law has been filed.

(2) If it is possible to remove the cause of nullity of the company registration, the competent court shall after the proceedings for determining nullity have been initiated set the deadline of maximum 90 days to remove the shortcoming and during that time stay the proceedings.

Article 63

(Courts, administration and other institutions competences)

Courts, administrative authorities and other institutions, authorized by law to approve and supervise founding and operations of companies, issuance and trade of securities shall be required to report in writing without delay to the Company Register any findings obtained in the course of exercising the competences which challenge the completeness and accuracy of data and documents Registered in the Company Register.

VIII - MERGER, ACQUISITION, DIVISION, TRANSFORMATION AND TERMINATION OF A COMPANY

Article 64

(Definition of merger, acquisition, division and transformation of the company)

(1) Two or more companies may merge by transferring assets and liabilities without implementation of the liquidation proceedings and founding a new company which becomes their legal successor.

(2) A company may be acquired by transferring assets and liabilities without

carrying out the liquidation proceedings onto another company, which becomes its legal successor.

(3) A company may be divided by transferring assets and liabilities without implementation of the liquidation proceedings onto two or more companies, which become its legal successors, with joint liability for its obligations in one of the following ways: by acquisition, whereby the company which is divided transfers the total assets and liabilities onto two or more existing companies, or, by founding of new companies, whereby the company which is divided transfers the total assets and liabilities onto two or more new companies.

(4) In cases of merger, acquisition or division, in the sense of provisions of paragraphs 1 through 3 of this Article, shareholders or owners of membership interests of the merged, acquired or divided company shall receive shares (membership interests) of the successor company, with the option of payment in cash of up to 10% total nominal value of shares (membership interests) which the successor companies issue on those grounds.

(5) Any company, excluding a general partnership and an open joint stock company, may transform.

(6) Open joint stock company may be divided, in accordance with paragraph 3 of this article, by acquisition with two or more existing open joint stock companies or division into two or more existing open joint stock companies.

Article 65

(Decision on merger, acquisition, division and transformation of the company)

(1) Decision on merger, acquisition, division or transformation of the company in a limited liability partnership and a general partnership shall be made by company members, while such decision in a limited liability company and joint stock company shall be made by the company's General Meeting, in the manner determined in the articles of incorporation or the statute, in accordance with the law.

(2) In the process of merger, an equivalent decision must be made by all the companies which merge, and in the process of acquisition, an equivalent decision must be made by the company which is acquired and the company which is acquiring.

Article 66

(Reorganization plan)

(1) The decision on merger, acquisition, division or transformation of the company shall be passed on the basis of the reorganization plan, which the management and Supervisory Board or another body, authorized under the founding charter or the statute, of each participating company must prepare and notify the shareholders or the members of the company and company creditors thereof at least 30 days prior to the date of making of the decision.

(2) The company shall be required to publish the decision on intended reorganization in the media.

Article 67

(Obligatory elements of the reorganization plan)

(1) The reorganization plan must contain:

- a) form, company name and head office of the participating companies and the successor companies;
- b) ownership rights of shareholders or the members of predecessor companies within the successor company;
- c) description, assessment and distribution of assets and liabilities of the predecessor companies, which are transferred to the successor companies, with the auditor's report;
- d) date from which shareholders or members may partake in profit sharing and requirements which affect that right;
- e) date from which the transactions of the predecessor company shall be presented in accounting terms for the successor company.

(2) In the case of a division of the company, alongside the elements referred to in paragraph 1 of this Article, the reorganization plan must contain the following additional elements:

- a) rights swapping ratio;
- b) terms for allocation of shares or membership interests and the amount of cash payments;
- c) rights in successor companies which belong to the shareholders or members of the divided company which contained special rights and well as the rights of owners of other securities of the divided company; and
- d) description and allocation of assets and liabilities which are transferred onto each successor company.

Article 68

(Other mandatory content of the reorganization plan)

The reorganization plan must contain written auditor's report on accounting statements of the participating companies, which shall also include:

- a) indication of the methods used to determine the swapping ratio;
- b) auditor's opinion on whether an appropriate method has been employed, along with an indication of the values that would be arrived at using other methods and an opinion on the relative importance of each of the methods in determining the swapping ratio;
- c) description of the problems with valuation that the auditor has encountered, if any.

Article 69

(Liability of the management and other persons and auditors)

Members of the company's management and other persons who have prepared

the reorganization plan and the auditors who carried out the review and expressed their opinion for the participating companies, shall be jointly and severally liable to the participating companies and their shareholders or members for damages, if they failed to act according to the rules of the profession in determining the rights swapping ratio for merger, acquisition, division or transformation of the company.

Article 70

(Copies)

Before making the decision on the reorganization plan, management of the participating company shall be required to provide to each shareholder or company member, upon his/her request, access to or copies of the reorganization plan, annual financial statements of the participating companies for the three previous years, extraordinary financial statement for the three months prior to preparation of the reorganization plan, if the data contained within it are older than six months, with reports and audit opinion.

Article 71

(Registration of reorganization into the Company Register)

Concurrently with the registration of the company created by company merger, acquisition by another company and division of the company into several new companies into the Company Register, the termination of the company that was merged, acquired or divided shall be entered into the Company Register.

Article 72

(Termination of the company)

- (1) Company shall terminate with the loss of the property of a legal person.
- (2) Company shall terminate as of the day of the registration of its termination into the Company Register.
- (3) Unless provided otherwise by this law, liquidation proceedings shall be conducted upon termination of the company.

Article 73

(Cases of Termination)

Company shall terminate in the case of:

- a) expiration of the period for which it has been founded;
- b) merger, acquisition and division;
- c) finalization of the bankruptcy proceedings or denial of the request for initiating the bankruptcy proceedings due to lack of assets;
- d) termination pursuant to the court decision;
- e) decision of the company General Meeting.

Article 74

(Other Cases of Termination)

(1) Company may terminate under a court decision made on the basis of the request of the competent authorities or person who proves his/her legal interest, in the event that:

a) the highest body identified in the founding charter or statute fails to meet and fails to exercise its authorities or if the body, the prior mandate of which had expired, has not been selected for more than two years;

b) the company has not been making revenues for more than two years;

c) the company has had the approval for performing the activity revoked;

d) the statutory requirements for further existence of the company in the form Registered into the Company Register do no longer exist.

(2) Before making the decision on termination of the company, court may set a deadline for removal of the causes due to which making of the decision was proposed.

Article 75

(Liquidation)

If all assets upon termination of the company have not been transferred to a legal successor, liquidation shall be carried out in accordance with a separate law, unless provided otherwise by this law.

SECTION TWO: GENERAL PARTNERSHIP

Article 76

(Definition and founding)

General partnership shall be a company consisting of at least two members who are jointly and severally liable for the company's liabilities.

Article 77

(Founding Agreement)

(1) General partnership shall be founded under a founding agreement.

(2) The founding agreement for a general partnership must contain first name,

family name and the address of domicile or name and head office of the company members, company name, head office and activity of the company and rights and responsibilities of its members.

(3) Any amendments to the agreement shall be made with the consent of all the members.

Article 78

(Application for Registration)

Application for registration of a general partnership into the Company Register shall be signed by all company members.

Article 79

(Members' contributions)

(1) Contributions of members into a general partnership may be in money, things, rights and performed services.

(2) The value of contributions in things, rights and services shall be determined in the company's founding agreement.

(3) Contributions of members shall be of equal value.

(4) Each member shall pay or contribute his/her contribution within the time frame determined by the agreement, and in case the deadline was not agreed, not later than two months after the registration of the founding of the company into the Company Register.

(5) Members' contributions shall become assets of the company.

Article 80

(Management and representation)

(1) Each member of a general partnership shall have the right and responsibility to manage the company, in accordance with the agreement.

(2) It may be determined in the agreement that the company shall be entirely or partially managed by one or more members for a certain period of time the company, whereby other members forfeit the right to manage to the same extent.

(3) Member of a general partnership may transfer his/her right to manage onto the person who is not a member of the company only with the consent of other members.

(4) If all the members or several members have the right to manage the company, each of them has the right to manage operations.

(5) If one of the members with managing rights is opposed to undertaking a certain action or carrying out a certain transaction, other members with the rights to manage have no right to undertake the action or carry out the transaction.

(6) If the agreement specifies that company members who are authorized to manage may only act jointly, each action and transaction may be carried out only with the consent of all authorized members.

Article 81

(Decision Making)

If the agreement specifies that a decision on certain issues must be made jointly by all of the general partnership members, such issues shall be decided upon by consent of all company members.

Article 82

(Forfeiting rights)

A member of a general partnership may forfeit his/her right to manage for a certain period of time by written statement and transfer the right of complete management to other members, with their consent.

Article 83

(Authorization for management)

(1) The authorization for management of the general partnership granted to one or more members may be revoked with the consent of all other members, unless provided otherwise by the agreement.

(2) After the authorization is revoked, until a new agreement about the authorization is reached between the members, the members shall manage the company in accordance with article 80 paragraph 1 of this law .

Article 84

(Obligations and rights of members)

(1) The member authorized to manage the general partnership shall be required to inform other members about all operations upon their request.

(2) Each company member shall have the right to access the company's business books and documents.

Article 85

(Representation)

(1) A general partnership shall be represented by each member, unless provided for otherwise by the agreement.

(2) If only some of the members are authorized to jointly or individually to represent the company under the agreement, other members may not represent the company.

(3) Members authorized to jointly represent the company, may authorize one among them in writing for executing certain operations.

(4) Each member shall be jointly and severally liable to third persons for the company liabilities, unless the third person in the course of concluding the legal business with one of the members knew that this member is not authorized to represent the

company.

Article 86

(Profit and loss)

Members in a general partnership shall partake in sharing of profits and coverage of loss in equal amounts, unless provided for otherwise by the agreement.

Article 87

(Ban on competitive activities)

Members in a general partnership may perform other work and activities and thereby create liabilities with the consent of all other members, unless provided for otherwise by the agreement.

Article 88

(Extent of the members' liability)

(1) Any person who joins a general partnership shall also be liable for company liabilities incurred prior to his/her accession.

(2) A member who settled the liability of the company that was incurred before his/her accession, shall have the right to be compensated by other partners for the settled company liability and expenses suffered by him thereby.

(3) A member who withdraws the company which continues with operations, shall be liable only for company liabilities incurred up until the date of registration of his withdrawal into the Company Register.

Article 89

(Withdrawal from the company and joining the company)

(1) Any member of a general partnership may withdraw from the partnership.

(2) The company may be joined by a new member.

(3) Withdrawal of a member from the company and joining of a new member to the company shall be governed by agreement.

(4) A company member may transfer his/her rights and responsibilities onto third persons only with the consent of all other company members.

Article 90

(Termination of the company)

General partnership shall terminate, in addition to the grounds and means referred to in Articles 73 and 74 of this Law in the case:

a) in the event that one member submits notification in writing on his withdrawal and cancellation of the agreement concluded for an unlimited period, not later than six months before the end of calendar year, unless otherwise provided by the agreement;

b) death of a member, unless the successor of the deceased becomes a new member under the agreement;

c) termination of a legal person as a company member;

d) bankruptcy of one of the company members;

- e) loss or limitation of legal capacity of one of the company members;
- f) court decision on termination of the company.

Article 91

(Options to amend the agreement and right to settlement)

(1) In instances referred to in Article 90, items 1 through 5 of this law, other members in a general partnership may make changes to the agreement and continue the operations.

(2) Member whose membership terminated or his/her successor or legal successor shall have the right to settlement of his/her contributions, which shall be calculated in the same way as the membership interest in the assets remaining after the liquidation.

Article 92

(Successors)

(1) If the company continues to exist after the death of one of the members, his/her successor may request in writing to become his/her successor in the company, not later than 30 days from the day of coming into effect of the decision on succession.

(2) By accepting the membership in the company, the successor shall assume all the rights and responsibilities of the deceased member as of the date of his/her death.

(3) Successor of a deceased who did not accept membership in the company shall have the right to seek the settlement of the contribution, and in case of multiple successors, the ownership rights of the deceased member in the company assets shall be divided among the successors in the ratio determined in the last will or court decision on legal succession.

(4) Successor who accepted company membership shall be compensated in proportion to his/her share in the succession.

(5) Successors who accept company membership shall become members with ownership rights in proportion to their share in the inherited assets of the deceased member.

Article 93

(Liquidation)

(1) In case of liquidation of a general partnership, the members shall have the right to a proportional part of the remaining company assets after the liquidation.

(2) Company assets after the liquidation shall be divided among the members first up to the amount of their respective paid contributions, and then to equal parts.

(3) Company assets remaining after the liquidation that is not sufficient for the repayment of paid contributions, shall be divided among members proportionately to contributions, unless provided for otherwise in the agreement.

**SECTION THREE:
LIMITED PARTNERSHIP**

Article 94.

(Definition and founding)

(1) A company in which one or more members are jointly and severally liable for the company liabilities with their entire property (general partners), and one or more members are liable for company liabilities only up to the amount of their contributions as Registered into Company Register (limited partners) shall be a limited partnership.

(2) Provisions of this law on general partnerships shall likewise apply to a limited partnership, unless otherwise provided by other provisions of this law.

(3) Limited partnership may be transformed into a limited partnership with shares.

Article 95

(Founding)

Limited partnership shall be formed by agreement, which must contain:

a) name of the company and the head office of the company;

b) first name, family name and the address of the domicile, or company name and head office of members;

c) designation as to which members are general partners and which are limited partners;

d) type and amount of contributions for each member; and

e) activity of the limited partnership.

Article 96

(Amendments to founding agreement)

(1) Amendments to the founding agreement of a limited liability partnership shall require consent of all members.

(2) The agreement may determine that the transfer of ownership rights onto another person does not require consent of all members.

Article 97

(Application for registration)

The application for registration of founding of a limited liability partnership shall be signed by all members.

Article 98

(Management and Representation)

- (1) Operations of a limited partnership shall be managed by general partners.

(2) A limited partner shall have right of access to business books and documents of the company, as well as to the annual financial statement.

Article 99

(Representation)

Each general partner shall represent the limited partnership, unless the agreement expressly provides for otherwise.

Article 100

(Limited partner)

(1) A limited partner may represent the limited partnership only pursuant to a special authorization granted by consent of all the members.

(2) A limited partner who concludes a contract in the name of the partnership without the authorization, shall be liable for the liabilities arising from that contract in the capacity of a general partner.

Article 101

(Profit)

(1) Profit of limited partnership shall be divided into the part for general partners and the part for limited partners, in the proportion provided for in the agreement.

(2) Part of the profit intended for the general partners shall be divided among them into equal parts.

(3) Part of the profit intended for the limited partners shall be divided among them proportionately to paid contributions, unless the agreement provides for otherwise.

Article 102

(Termination of a limited partnership)

All members of limited partnership shall have the right to a proportionate membership interest in the company assets which remain after the liquidation.

Article 103

(Remaining assets)

(1) If the assets which remain after the liquidation of the limited partnership is insufficient to repay the paid contributions, limited partners shall have the right of primacy to repayment of the contributions.

(2) The assets which remain after the repayment of contributions debt shall be divided among the company members using the profits distribution ratio.

(3) The agreement may determine a different way of distribution of the assets of limited partnership after the liquidation.

Article 104

(Not termination)

Limited partnership shall not terminate in case of death, loss or limitation of legal capacity, or compulsory sale and collection against the property of a limited partner.

**SECTION FOUR:
JOINT STOCK COMPANY**

I – GENERAL PROVISIONS

Article 105

(General provisions)

- (1) A joint stock company is a company whose share capital is divided into shares.
- (2) Joint stock companies may be open or closed.
- (3) Open joint stock companies shall be those companies whose shares have been issued by means of public offering and which meet one of the following criteria:
 - a) they are banks or insurance companies, or
 - b) they have share capital at least in the amount of 4,000,000.00 KM and at least 40 shareholders.
- (4) Shares issued by means of public offering shall be deemed those shares issued in accordance with the Law on Securities Market.
- (5) Open joint stock company may not limit the transfer of shares to third persons.
- (6) Closed joint stock company shall become an open joint stock company after one of the criteria from paragraph 3 of this Article is met.

Article 106

(Liabilities of shareholders)

Joint stock company shall not be liable for the liabilities of its shareholders.

II - FOUNDING

Article 107

(Founders)

- (1) A joint stock company may be founded by one or more founders.
- (2) The founders must be shareholders in the joint stock company.

Article 108

(Founding and founding charter)

- (1) A joint stock company shall be formed by articles of incorporation, which must

contain:

- a) first name and family name or company name, and the address of the domicile or the head office of founders;
- b) company name and head office of the joint stock company;
- c) activity;
- d) rights and responsibilities of founders;
- e) amount of the share capital;
- f) designation of the type, total number and nominal value of shares;
- g) description of the rights contained within a share;
- h) number of shares subscribed by each of the founders;
- i) procedure and schedule of sale and the bank for payment of shares;
- j) description and evaluation of the value of contributions in things and rights;
- k) manner of charging the costs of founding;
- l) consequences of failure to meet the obligations by the founders;
- m) manner of settling disputes among the founders; and
- n) first name and family name of the person that represents joint stock company in the founding proceedings.

(2) The articles of incorporation must be signed by all founders or their proxies, and the signatures verified in accordance with the law.

(3) Signatures of the proxies shall be accompanied with a certified written authorization.

(4) In the event that a single founder is founding a joint stock company, the decision on founding of a joint stock company shall be the founding charter.

Article 109

(Purchasing of shares when founding)

In the course of founding of a joint stock company, all the shares may be purchased by the founders (hereinafter referred to as simultaneous founding), or the agreed number of shares may be purchased by founders and the remaining shares may be purchased by other persons on the basis of a public notification for subscription and payment (hereinafter referred to as successive founding), in accordance with the law that governs issuance and trade of securities.

Article 110

(Simultaneous formation)

(1) Subscription to shares in the simultaneous founding is executed with the signing of the articles of incorporation by the founders.

(2) Payment for the shares shall be performed pursuant to the decision of the

Securities Commission in the Federation (hereinafter referred to as Commission) which determines a successful issuance of shares.

(3) Subscription of shares shall be unconditional.

Article 111

(Successive formation)

The articles of incorporation for successive founding of a joint stock company, alongside the elements referred to in Article 108 of this Law, shall also mandatorily contain:

- a) place, time and manner of subscription of shares;
- b) place, time and manner of payment for shares;
- c) type of contribution by which the shares may be paid;
- d) procedure in case the subscribed amount exceeds the amount published in the public offer ;
- e) manner of setting of the price of shares upon completion of the subscription; and
- f) manner of convening of the founding General Meeting of the joint stock company.

Article 112

(Request for approval of the public offer)

(1) The founders shall submit to the Commission a request for approval of the public offer of shares, which they shall be required to accompany with:

- a) articles of incorporation;
- b) proposal of the joint stock company statute;
- c) proposal of the prospectus, in accordance with the law that governs issuance and sale of securities;
- d) the contract concluded between the founders and the Register of Securities in the Federation (hereinafter referred to as Register);
- e) the contract concluded between the founders and the bank on opening of a temporary account for depositing the payments for shares (hereinafter referred to as Depositor).

(2) The Commission shall issue a decision on the request referred to in paragraph 1 of this Article not later than 30 days from the day of receipt of the request.

Article 113

(Approval of the public offer)

(1) Upon receipt of the decision of the Commission on approval of the public offer of shares, the founders shall publish public notification for subscription and payment of shares, in accordance with the Law on Securities Market.

(2) The deadline for subscription of shares may not be longer than 90 days from the day of publication of the public notification.

(3) Subscription of shares shall be done by signing of the statement on subscription, in accordance with the law and regulations of the Commission.

Article 114

(Report on the total amount and number of subscribed and paid shares)

(1) The founders shall be under the obligation to publish a report on the total amount and number of subscribed and paid shares, at least in one national daily newspaper, not later than 8 days from the day of receipt of the decision of the Commission that determines that the issuance of shares was successful.

(2) The report referred to in paragraph 1 of this Article must contain:

a) first name and family name or company name and address of domicile or head office of the subscriber of shares ;

b) class, number, and nominal value of the subscribed shares;

c) information about the manner and schedule for payment for the subscribed shares;

d) amount paid upon subscription of shares;

e) list and assessed value of things and rights used to pay for the subscribed shares;
and

f) share price in the course of issuance.

Article 115

(Execution of payments)

(1) For the executed payments for subscribed shares at the prices after the issuance, the founders shall be required to issue a temporary written certificate, which must contain class, number, nominal value and the price of the subscribed shares after the issuance.

(2) The founders may not dispose of executed payments for shares.

(3) Joint stock company shall dispose of money payments and contributions in things and rights after the company registration into the Company Register.

(4) Fees and other founding costs may not be paid from the share capital.

Article 116

(Report on failed subscription)

(1) If not all the shares referred to by article 114 paragraph 2, item 2 of this law were subscribed within the published deadline, the founders and other subscribers may subscribe to the remaining shares, not later than 15 days upon expiration of the published deadline for subscription.

(2) If the founders and other subscribers fail to subscribe to all the shares, the founding of the joint stock company shall be deemed unsuccessful.

(3) Under the circumstances referred to in paragraph 2 of this Article, the founders shall be bound to publish a report on unsuccessful founding of the joint stock company, including the data the on manner and schedule of reimbursement for the

executed payments, in the manner of publishing the prospectus, not later than 15 days from the expiration of the deadline referred to in paragraph 1 of this Article.

Article 117

(Founding General Meeting)

(1) The founders shall be required to convene the founding General Meeting not later than 60 days from the date of receipt of the decision of Commission which determines that the issuance of shares succeeded.

(2) The founding General Meeting shall be convened by means of written invitation to each party subscribed to the shares in accordance with this law.

(3) If the founding General Meeting is not convened within the deadline referred to in paragraph 1 of this Article, the subscription of shares shall become null and it shall be deemed that the joint stock company was not formed.

(4) Under the circumstances referred to in paragraph 3 of this article, the founders shall be required to publish the report in accordance with Article 116, paragraph 3 of this law.

Article 118

(Other options and obligations of the founding general meeting)

(1) The founding General Meeting may make decisions if attended by, in person or through proxies, shareholders with more than half of the total number of voting shares.

(2) The founding General Meeting shall be opened and chaired until the time of the election of the General Meeting chairperson by the founder with the highest number of subscribed shares.

(3) If the quorum for decision making referred to in paragraph 1 of this Article is not reached after 60 minutes from the announced commencement time of the General Meeting, the founding General Meeting shall be postponed.

(4) The founders shall be required to reconvene the General Meeting in the manner referred to in Article 117, paragraph 2 of this Law within 3 days.

(5) In case of reconvening, the founding General Meeting may make decisions if more than one third of the total number of voting shares is represented.

Article 119

(Competences of the Founding General Meeting)

The founding General Meeting shall:

a) adopt the report on founding;

b) adopt the statute;

c) elect the chairperson of the General Meeting;

d) appoint members of Supervisory Board; and

e) confirm the value of contributions in things and rights and determine number of shares issued on such basis.

Article 120
(Report on Founding)

The report on founding of a joint stock company must contain:

- a) number of subscribed shares;
- b) nominal value and price at which the shares have been subscribed;
- c) payments for subscribed shares done before the founding General Meeting;
- d) inventory and estimated value of each contribution in things and rights;
- e) data on subscribers excluded in accordance with Article 139 of this law.

Article 121
(Statute)

The statute of a joint stock company must contain:

- a) company name, head office and activity;
- b) amount of share capital, class, number and nominal value of shares;
- c) procedure in case of failure to pay for subscribed shares;
- d) manner of increasing and decreasing of the share capital;
- e) manner of formation and use of the reserve fund;
- f) manner of sharing of profit and payment of dividend;
- g) manner of loss coverage;
- h) number of votes by class of shares;
- i) manner of convening the General Meeting and decision making, composition and competencies of the board;
- j) composition, manner of appointment and dismissal, and authorities of the Supervisory Board and management of the company;
- k) procedure of acquisition, merger, division and transformation of the company;
- l) termination of company;
- m) procedure for amendments of the statute; and
- n) other elements prescribed by this law.

Article 122
(Registration into the Register of Issuers)

(1) After the founding General Meeting has been held, in case of simultaneous or successive founding, management of the joint stock company shall be required to submit a request for registration into the Register of Issuers of securities at the Commission (hereinafter referred to as Register of Issuers) not later than 15 days from the day of the

held founding General Meeting.

(2) The request referred to in paragraph 1 of this Article shall be accompanied with:

- a) minutes from the founding General Meeting;
- b) proof of payment of the full amount of the subscribed shares at the prices after the issuance;
- c) decision on adoption of the statute, the statute and
- d) decisions on selection of members in the Supervisory Board and management.

(3) The information Registered into the Register of Issues shall be deemed publicly available.

Article 123

(Invalid shares)

(1) The founders shall pronounce invalid those shares for which the payments due were not executed and which were have not been taken over and paid for by the founders or other subscribers before registration into the Register of Issuers.

(2) The founders shall inform the Commission in writing on proclamation of the shares invalid in case referred to in paragraph 1 of this Article.

Article 124

(Application for registration)

Management of the joint stock company shall submit an application for registration of the joint stock company into the Company Register pursuant to the decision of the Commission on registration into the Register of Issuers.

III – SHARE CAPITAL

Article 125

(Share capital during foundation)

(1) Share capital of a joint stock company shall be no less than 50.000 (fifty thousand) KM.

(2) Nominal value of a single share may not be less than 1 (one) KM.

Article 126

(Total contributions)

If the share capital in the course of establishment of a joint stock company, in addition to contributions in money, is secured by contributions in things and rights, the total contributions in money may not be any less than the amount referred to in article 125, paragraph 1 of this law.

Article 127

(Successive founding)

(1) In case of successive founding, after the subscription of shares up to the amount of share capital contained in the public announcement for subscription and payment of shares, the founders shall refuse further subscription of shares if so determined under the articles of incorporation.

(2) As of the day of the decision referred to paragraph 1 of this Article, the founders shall have jointly and severally liability for reimbursement of funds paid over the amount of the share capital, with an interest calculated at the interest rate for sight deposits with the bank where payment of shares was executed.

Article 128

(Share Price)

(1) Share price in the course of the issuance may not be less than its nominal value.

(2) The difference in price in the course of the issuance above its nominal value shall constitute a share premium.

Article 129

(Increase of share capital)

(1) Increase of share capital shall be made pursuant to the decision which, upon proposal of the Supervisory Board, shall be adopted by the joint stock company's General Meeting by two-thirds majority of the represented voting shares, by each class of shares.

(2) Company share capital may be exceptionally increased by the amount of investment under a concluded sale and purchase agreement in the process of privatization, after the buyer performs all the obligations assumed in the agreement, in accordance with the provisions of this law and the Law on Securities Market.

Article 130

(Other options to increase share capital)

(1) Supervisory Board of the joint stock company may be authorized by statute or decision of the General Meeting to decide upon increase of share capital, namely:

a) by issuance of new shares;

b) from the reserve fund above the amount referred to in article 180, paragraph 3 of this law;

c) by issuance of employee shares from profit;

d) by transforming the creditors' claims into share capital of the debtor in accordance with the Law on Financial Consolidation of Companies.

(2) In the instances referred to in paragraph 1, items 1 and 2 of this Article, the

increase of share capital may not exceed one third of the amount of share capital on the day of the decision.

(3) The authorization from the statute or decision of the General Meeting referred to in paragraph 1 of this article shall be valid no longer than five years and must contain the

manner in which the things and rights that are contributed to pay for new shares are estimated.

Article 131

(Content of decisions)

Proposal of the decision referred to in article 129 and the decision referred to in article 130 of this law on the increase of share capital of the joint stock company must contain:

- a) reasons, volume and manner of increase;
- b) new nominal value of shares after the increase of share capital;
- c) class, number and nominal value of shares of the new issuance;
- d) deadline for subscription and price of shares in the course of the issuance or manner in which it is determined;
- e) description of the rights contained in the shares of the new issuance and consequences upon the rights contained in the shares of previous issuances;
- f) limitation or exclusion of the pre-emptive right to the shares in the new issuance; and
- g) options for payment of shares of the new issuance by contributing things and rights and the manner in which their value is estimated.

Article 132

(Decision on registration into the Register of Issuers)

- (1) Increase and decrease of the share capital shall be Registered in the Register of Issuers.
- (2) The decision on registration into the Register of Issuers shall be issued within 30 days from the date of filling of a proper request.
- (3) Increase and decrease of the share capital shall become legally valid upon registration of such change into the Register of Issuers.

Article 133

(Payment of shares)

- (1) Payment of shares of the new issuance in money may be done in installments, within a deadline not longer than six months from the day of adoption of the decision of the Commission on successful issuance of shares.
- (2) Paid installments shall first be used to settle the share premium for all the subscribed shares, and then the nominal value of individual shares.
- (3) Payment of shares may not be done by offsetting of claims towards the joint stock company.
- (4) Joint stock company may not give loans, credits or collaterals for acquisition of

own shares.

(5) In the procedure of restructuring or financial consolidation of a company, the shares from new issuance may also be paid for otherwise, if so prescribed in a separate law.

Article 134

(Release from the obligation of payment)

A subscriber may be released from the obligation to pay for the subscribed shares only in case of the decrease of company share capital before expiration of the deadline for payment of shares in installments, in proportion to the decrease.

Article 135

(Interim certificate)

For payments of the nominal value of shares and share premium, the joint stock company shall issue a written interim share certificate (hereinafter referred to as interim certificate) which shall be valid until payment of share and it must contain:

- a) designation "interim certificate";
- b) company name and address of the head office of the joint stock company;
- c) amount of share capital;
- d) first name and family name or company name of the owner of the interim certificate;
- e) class and number of shares for which the interim certificate was issued;
- f) number and nominal value of the subscribed shares which were not paid in full;
- g) paid amount of the share price in the course of the issuance;
- h) deadline for payment of the full amount of the subscribed shares; and
- i) date of issuance of the interim certificate, with signature of the authorized person.

Article 136

(Transfer of interim certificate)

Transfer of the interim certificate shall be made by endorsement.

Article 137

(Exclusion)

(1) Supervisory Board shall make a decision on exclusion from the joint stock company of share subscriber who fails to pay the full price of shares in the course of the issuance within the deadline determined in the decision on issuance, which the company is required to immediately enter into the shareholder Register, publicly disclose and deliver by Registered mail to the subscriber.

(2) Subscriber of shares referred to in paragraph 1 of this Article shall return the interim certificate to the joint stock company, not later than 30 days from the day of the decision on exclusion from the joint stock company, and otherwise the Supervisory Board shall declare and publish its nullity in the manner used for convening the General Meeting

determined by this law and the statute of the joint stock company.

Article 138

(New Interim Certificate)

(1) Supervisory Board shall issue a new interim certificate or issue shares to another person instead of the interim certificate that was declared null, in accordance with the decision of the General Meeting of the joint stock company.

(2) Revenues from new interim certificates and shares referred to in paragraph 1 of this article shall serve to settle the share premium, interests on late payments and expenses of publication of the decision and notifying the excluded shareholder, while the rest shall be paid to the excluded shareholder, up to the amount of payments made for the nominal value of shares.

Article 139

(Issuance of new shares)

(1) Share capital may be increased by issuance of new shares only if the shares from previous issuances have been paid in full.

(2) The provision of paragraph 1 of this Article shall not apply if the shares of the new issuance are paid for exclusively by contribution of things and rights into the joint stock company.

Article 140

(Decision on increase of share capital)

The decision on increase of share capital by issuance of new shares must contain:

- a) amount of increase of share capital;
- b) option for subscription of shares and manner of determining the amount subscribed above the increase of share capital defined by decision;
- c) class, number and nominal value of shares;
- d) rights contained in the share of the new class in case of issuance of shares of new class;
- e) place and deadline for subscription to shares;
- f) pre-emptive right, manner, place and deadline of subscription to shares based on that right ;
- g) price or manner of determining the share price in the course of the issuance which must be equal for all the subscribers;
- h) name of the depository bank in which the subscriber pays for the shares;
- i) in case of issuance by means of closed sale which foresees payment for the shares by transfer of things and rights, the description, manner of estimate and estimated value of things and rights used to pay for the shares, and the place, manner and deadline for turnover of things and transfer of rights used to pay for the shares.

Article 141

(Public Offer)

(1) Increase of share capital by issuance of new shares shall be conducted through public offer, unless otherwise provided by the decision.

(2) Joint stock company shall submit request for approval of the public offer of shares to the Commission in accordance with the law which regulates the securities market.

(3) Subscription to shares of the new issuance shall be conducted pursuant to the decision of the Commission on approval of the public offer of shares and the published public call for subscription and payment of shares, or the report on the closed sale, in accordance with the provisions of this law and the law that governs issuance and trade of securities.

Article 142

(Payment of the shares of new issuance)

Payment of the shares of the new issuance shall be made within the deadlines determined in the decision, provided that the full amount of share premium and at least 30% of the nominal value of shares must be paid and items and rights used to pay for the shares must be contributed to the company in full before the registration of the increase of share capital into the Register of Issuers.

Article 143

(Dividends)

Right to a dividend on the basis of new shares shall be acquired for a year in which the share capital was increased, unless the statute of the joint stock company provides otherwise or the date of payment of dividend is determined in advance.

Article 144

(Increase of nominal value of shares)

(1) Increase of share capital by increase of the nominal value of issued shares may be done only at the expense of the reserve fund, and only for the amount above the compulsory level of the reserve fund determined by provisions of this law.

(2) Costs of the increase of the nominal value of shares shall be borne by the shareholders.

Article 145

(Free new shares)

(1) Instead of increasing the nominal value of existing shares, joint stock company may issue free new shares.

(2) Free shares shall contain the rights contained within ordinary shares.

Article 146

(Reporting of increase of the nominal value)

Joint stock company shall report the increase of the nominal value of shares and the issuance of free shares to the Register without delays, and not later than 3 days from the date of receiving the decisions from the Committee.

Article 147

(Conditional increase of share capital)

(1) The General Meeting of the joint stock company shall make the decision on conditional increase of share capital in the case of:

- a) issuance of convertible bonds and bonds with the pre-emptive right, to the extent of the rights which arise from these bonds;
- b) merger and acquisition of a number of joint stock companies; and
- c) subscription of new shares by the employees, in accordance with the plan for distribution of profits of the joint stock company.

(2) Conditional increase of share capital may exceed 50% of the amount of the share capital entered into Register of Issuers on the day of making of the decision referred to in paragraph 1 of this Article only if such a decision was made by a two-thirds majority of the total number of represented voting shares, by each class of shares.

Article 148

(Decision on conditional increase)

(1) The decision referred to in Article 147, paragraph 1 of this law must contain:

- a) amount and reasons for conditional increase of the share capital;
- b) designation that the increase is conditional on the basis of the right to exchange or the pre-emptive right, or subscription to shares by employees;
- c) class, number, and nominal value of shares that can be issued on the basis of conditional increase of share capital.

(2) The decision on conditional increase of share capital shall determine the deadline for issuance of new shares on that basis, which may not be longer than five years from the day of making of the decision.

Article 149

(Request for approval of conditional increase)

(1) Joint stock company shall submit the request for approval of conditional increase of the share capital to the Commission not later than 30 days from the day of making of the decision referred to in article 147, paragraph 1 of this law.

(2) Subscription to convertible bonds and bonds with the pre-emptive right may

be conducted after the receipt of the decision of the Commission and publication of the public call for subscription and payment.

Article 150

(Right to swap and pre-emptive right)

- (1) The right to swap shall be exercised by written request to the joint stock company for swapping of bonds into shares.
- (2) The pre-emptive right shall be realized by subscription to shares.
- (3) Subscription to shares on the basis of the pre-emptive right shall be done in accordance with the provisions of Articles 139 through 142 of this law.

Article 151

(Request to enter implemented increase of capital)

- (1) Upon expiration of the deadline referred to in article 148, paragraph 2 of this law, the competent board shall submit the request for registration of the realized increase of share capital into the Register of Issuers.

Article 152

(Increase from own funds)

After the adoption of annual financial statement with a verified audit report, and the performed mandatory allocation into the reserve fund, the General Meeting may make a decision to use a portion of the profits to increase share capital.

Article 153

(Increase from the part of profit)

The decision referred to in article 152 of this law must contain the amount of increase of share capital and designation whether the increase is made through increase of nominal value of shares or issuance of new shares.

Article 154

(Increase from reserve fund)

- (1) Increase of share capital from own funds may be performed only from the reserve fund, in the amount above the mandatory level of reserve fund specified in the provisions of this law.

- (2) Portion of the reserve fund intended for compensation of loss may not be used for increase of share capital of the joint stock company from own funds.

Article 155

(Allocation of increased capital)

Increase of share capital from own funds shall be distributed across all shares in proportion to their nominal value.

Article 156

(Change of the nominal value)

Change of the nominal value of shares shall be Registered into the Register, on the basis of the application of the joint stock company and excerpt from the Register of Issuers.

Article 157

(Integrated increase)

(1) In the course of the increase of share capital, the joint stock company shall pay from its own sources the portion of the price of shares after the issuance in case the shares which trade on the stock exchange or another regulated public market on the day after the decision is made have a price that is lower than the nominal value, or the increase of the share capital shall be done by subscription to shares by employees.

(2) In the instance referred to in paragraph 1 of this article, payment of shares shall be made exclusively in money.

Article 158

(Decision on the increase)

The decision on the increase of share capital in accordance with Article 157 of this law must contain:

- a) amount of increase of the share capital;
- b) class, number and nominal value of shares;
- c) information referred to in Article 140 of this law;
- d) manner of sale of shares which have not been subscribed to based on the pre-emptive right;
- e) place and deadline for subscription to shares for shareholders without the pre-emptive right, share price in the course of the issuance or the manner in which it is determined;
- f) name of the bank at which the subscriber pays for shares after the issuance;
- g) description of the rights contained in the shares of the new class;
- h) option for subscription of shares above the amount defined in the decision on integrated increase;
- i) portion of the share price in the course of issuance which is paid by the company and the source of funds.

Article 159

(Subscribers)

Subscribers to shares issued on the basis of the integrated increase shall pay at least 50% of the share price before the registration of increase of share capital into the Register of Issuers.

Article 160

(Implementation on integrated increase)

Provisions of Article 139 paragraph 1, Article 140 paragraph 1, Article 152 and Article 154, paragraph 2 of this law shall apply to an integrated increase of share capital.

Article 161

(Decrease of share capital)

(1) Decrease of share capital shall be carried out pursuant to the decision of the General Meeting made by two-thirds majority of the represented voting shares.

(2) Decision on the decrease of share capital shall be made by separate voting for each class of shares and shall be published in at least one national daily newspaper, on two occasions within 30 days from the day on which it was made.

(3) Share capital may not be decreased below the amount specified in Article 127, paragraph 1 of this law.

(4) Decrease of share capital may not affect the meeting of obligations towards creditors of the joint stock company.

Article 162

(Decision on decrease of share capital)

The decision referred to in article 161 of this law must contain:

- a) amount and reason for decrease of share capital;
- b) manner of the decrease of the share capital; and
- c) manner of cancellation of shares, price of the cancelled share or the manner in which it is determined.

(2) Decrease of share capital by cancellation of shares may be conducted only if the option for cancellation is foreseen in the statute of joint stock company or the decision on the issuance of shares.

(3) Cancellation of shares is carried out by purchase at a stock market or other regulated public market or by offer to shareholders, in accordance with the statute and the decision of the General Meeting on the decrease of share capital.

Article 163

(Request for decrease of share capital)

(1) Joint stock company shall submit a request to the Commission for approval of the decrease of share capital, not later than 30 days from the day of making of the decision referred to in Article 161, paragraph 1 of this law.

(2) The Commission shall make the decision about the request and Register the decrease of share capital into the Register of Issuers not later than 30 days from the day of submitting of the request referred to in paragraph 1 of this article, except in the instance referred to in Article 170 of this law.

(3) Joint stock company may not make payments based on the decrease of share capital or abandon the issuance of shares whose nominal value has not been paid fully before the registration of the decrease of share capital into the Register of Issuers.

Article 164

(Joint stock company and creditors)

(1) Joint stock company shall inform creditors on the decrease of share capital within 30 days from the day of registration of the decision into the Register of Issuers, in person or by means of mass media.

(2) Creditors may request collateralization of claims within 90 days from the day of the receipt of information referred to in paragraph 1 of this article or within 90 days from the day of second publication of the decision referred to in Article 161, paragraph 1 of this law.

(3) If the creditors and the joint stock company fail to reach an agreement on collateralization of claims, the creditors may initiate proceedings before the court.

Article 165

(Decrease of share capital and audit reports)

The provisions of Article 164 of this law shall not apply if:

- a) company submits auditor's report with evidence which determines that the company has no creditors to the Commission;
- b) decrease of share capital is conducted to compensate for loss; or
- c) not more than 10% of the share capital is transferred into reserve fund for coverage of future losses.

(2) The auditor who states incomplete or inaccurate data in the report referred to in paragraph 1 of this article shall be liable to the creditors for the liabilities of the joint stock company with the balance as of the day of submitting of the report and up to the amount of the decrease of share capital determined in the decision of the General Meeting.

(3) Joint stock company may not repurchase shares in case of the decrease of share capital in accordance with paragraph 1, items 2 and 3 of this Article.

Article 166

(Request to subscription into the Register of Issuers)

(1) Upon expiration of the deadline referred to in Article 163, paragraph 2 of this law, the joint stock company shall submit a request for registration into Register of Issuers to the Commission.

(2) The Commission shall Register the decrease of share capital into the Register of issuer only if the decision of the General Meeting on the decrease of share capital was published in accordance with Article 161, paragraph 1 of this law and if the company submits auditor's report referred to in Article 173 of this law or evidence on agreement with creditors on collateralization of their claims.

Article 167

(Procedure to decrease share capital)

(1) Decrease of share capital shall be carried out, in the first place, by cancellation of own shares held by the company on the day of making of the decision, and, then, by

abandoning the issuance of shares that have not been paid in full up until the day of making of the decision on the decrease of share capital.

(2) If the possibilities to decrease share capital in accordance with paragraph 1 of this Article are not in place or if their use does not achieve the amount of the decrease of share capital determined in the decision, the decrease of share capital up to the total amount determined in the decision shall be performed by decreasing the nominal value of share held by shareholders, down to the lowest amount determined in Article 125, paragraph 2 of this Law, or by repurchase and cancellation of shares held by shareholders.

Article 168

(Decrease by reducing the nominal value)

The decrease of share capital by decreasing the nominal value of shares shall apply to all the shares.

Article 169

(Suspension on trade)

Joint stock company shall report registration of suspension on trade of shares that are subject to cancellation to the Register immediately upon issuing such decision and not later than 3 days.

Article 170

(Cancellation of shares)

(1) Cancellation of shares must be completed not later than 10 days from the day of submitting the application referred to in article 169 of this law.

(2) Joint stock company shall pay for the cancelled shares not later than 90 days from the day of registration of the decrease of share capital into the Register of Issuers.

Article 171

(Results of cancellation)

Joint stock company shall inform the Commission in writing on the results of the cancellation of shares, within 8 days from the completion of the cancellation.

Article 172

(Recall of cancelled shares)

(1) Joint stock company shall, immediately after the registration of decrease of share capital into the Register of issuers at the Commission, submit an application to the Register for recall of the cancelled shares and recall of the suspension on trade of shares which have not been repurchased.

(2) The application referred to in paragraph 1 of this article shall be accompanied with an excerpt from the Register of Issuers on the registration of the decrease of share capital.

Article 173

(Decrease of share capital by cancelling shares)

Decrease of share capital by cancellation of shares may be conducted on the basis of the public offer to the shareholders for repurchase of shares, in accordance with the provisions of the law which governs the issuance and trade of securities and the statute of the joint stock company.

Article 174

(Public Offer)

The public offer referred to in Article 173 of this law must contain a designation as to whether all of the offered shares are being repurchased or up to a certain amount, and whether the shareholders cover the expenses of the cancellation.

Article 175

(Obligation of General Meeting of the Joint stock Company)

If the sum of nominal value of shares referred to in Article 174 of this law does not reach the amount of the decrease of the share capital determined by decision of the General Meeting of the joint stock company, the General Meeting of the joint stock company shall issue a decision by which it shall determine a decrease of the share capital in the amount of repurchased shares.

Article 176

(Results of cancelling shares)

(1) Joint stock company shall inform the Commission in writing about the results of the cancellation of shares on the basis of the public offer, not later than eight days from the completion of the cancellation.

(2) Joint stock company shall submit an application to the Register for recall of the cancelled shares immediately upon the registration of the decrease of share capital with the Commission.

Article 177

(Other types of decrease)

The decrease of share capital may be carried out by abandoning issuance of shares, up to the amount of nominal value of shares that has not been paid.

Article 178

(Concurrent increase and decrease of the Share capital)

The General Meeting of the joint stock company may adopt a decision on the increase simultaneously with a decision on the decrease of share capital, if the share capital is being decreased by abandoning the issuance of shares that have not been paid and for compensation of loss or transfer of share capital into reserve fund for coverage of future losses.

Article 179

(Option to increase share capital)

The company may increase share capital pursuant to the decision of the General Meeting referred to in article 178 of this law only upon completed registration of the decrease of share capital into the Register of Issuers.

Article 180

(Reserve Fund)

- (1) Joint stock company must have a reserve fund.
- (2) The reserve fund shall be created from profit and other sources, in accordance with this law and other regulations.
- (3) The reserve fund shall amount to at least 25% of share capital of the joint stock company.
- (4) Payments resulting from swapping of ordinary for priority shares referred to in Article 190, paragraph 2 of this law and from the difference from the nominal value up to the price of shares referred to in articles 192 and 193 of this law must be allocated to the reserve fund regardless of its level.

Article 181

(Allocation)

- (1) At least 10% of the annual amount of net profit shall be allocated into the reserve fund until the reserve fund reaches amount referred to in Article 180, paragraph 3 of this law.
- (2) If the reserve fund fails to reach the level referred to in article 180, paragraph 3 of this law with the allocations referred to in paragraph 1 of this article until the end of fifth business year, after the annual financial statement for the fifth and consecutive business years the joint stock company shall increase the allocations for these purposes to 20% of the annual amount of net profit, until the reserve fund reaches the level referred to in article 180 paragraph 3. of this law.

Article 182

(Usage of Reserve Funds)

- (1) The reserve fund shall be used to cover losses and other unforeseen expenses in operations of the joint stock company.
- (2) In case of the decrease of value of the reserve fund below 25% of the amount of share capital, the joint stock company shall make allocations in accordance with the provisions of article 181, paragraph 2 of this law.
- (3) The reserve fund above the amount determined in article 180, paragraph 3 of this law, may also be used for:
 - a) supplement to the dividends, up to 5% of the share capital;
 - b) increase of nominal value of the shares in accordance with article 144 of this law;

and

c) issuance of free shares in case referred to in article 145 of this law.

Article 183

(Presentation of value)

Any joint stock company which presented the securities in its assets in the semi-annual or annual financial statement in the value higher than in the previous report, shall present such difference as a special reserve for coverage of future differences in the exchange rate of securities.

Article 184

(Reserves)

(1) Joint stock company may also allocate special reserves for the needs of employees which shall be placed on a separate account.

(2) The manner of allocation and use of the reserves referred to in paragraph 1 of this Article shall be determined in the statute of the joint stock company.

(3) Employees may also participate in management of these reserves, in the manner and under the terms determined in the statute or decision of the General Meeting of the joint stock company.

Article 185

(Loss)

(1) In the event that the joint stock company in its semi-annual or annual financial statement presents a loss in amount which exceeds the sum of the third of share capital and the reserve fund referred to in Article 180 of this law, or in the event that circumstances arise which indicate that the value of the assets of the joint stock company is below or could be below the amount of liabilities by the end of the year, the Supervisory Board shall convene the General Meeting of the joint stock company.

(2) The General Meeting shall adopt a decision on continuation of operations, termination or liquidation of the joint stock company on the basis of the report of the Supervisory Board, which includes the balance sheet and the income statement with auditor's report,.

IV - SHARES AND SHAREHOLDERS

Article 186

(Shares)

(1) Shares of the joint stock company shall be dematerialized, non-divisible, and shall be payable on name.

(2) Shares shall be transferable without limitations, except in the instances determined by statute of joint stock company in accordance with law.

(3) Individual share shall contain rights to participation in:

a) management of the joint stock company;

b) distribution of profits;

c) division of assets which remain after bankruptcy or liquidation of joint stock company.

Article 187

(Share classes)

- (1) A joint stock company may issue shares of different classes.
- (2) All shares of the same class shall have the same nominal value and contain equal rights.
- (3) All shares, except for ordinary shares, shall contain designation of class.

Article 188

(Concluding the contract with the Register)

(1) Joint stock company shall, in accordance with separate law and regulation of the Commission, conclude an agreement with the Register and submit the data on shares and shareholders to the Register, within 30 days of the date of registration into the Register of Issuers.

(2) The Register shall establish a list of shareholders and Register changes of ownership of shares of the joint stock company (hereinafter referred to as List of shareholders).

Article 189

(Shareholder)

(1) Shareholder shall have right to participate in the proceedings and decision making of the General Meeting of the joint stock company.

(2) Shareholder shall have the right to one vote per each ordinary share.

(3) Company may not issue shares which grant the right to more than one vote per single share.

(4) Shareholder may not vote on decisions that concern his/her actions, liability and claims of the joint stock company against him/her.

Article 190

(Shareholders' obligation)

(1) Shareholder must pay the share price in the course of the issuance, in the amount and within the deadline determined under the decision on issuance.

(2) Joint stock company may request extra payment for an ordinary share in the course of its conversion into a priority share, in accordance with the decision on conversion.

Article 191

(Interim certificates)

(1) Management of the joint stock company shall invite those shareholders that fail

to fulfill the obligation of payment of share price in the course of issuance, to return the interim certificates without the right to substitute them for shares, in the manner and within the deadline determined in the decision of the General Meeting on abandoning issuance of shares.

(2) Joint stock company shall reimburse the owners of interim certificates for the paid portion of the share price in the course of the issuance, reduced by the claims of the joint stock company, not later than eight days after the day of registration of share capital into the Register of Issuers.

(3) The invitation referred to in paragraph 1 of this Article must contain a warning that in the case of failure to fulfill the obligations of the shareholder and the owner of interim certificates, their respective shares and interim certificates shall be publicly declared null.

(4) Joint stock company shall publicly declare shares and interim certificates null not later than 15 days from the day of expiration of the published deadline referred to in paragraph 1 of this Article and it shall inform the shareholders and owners of interim certificates, in the manner and within the deadline determined in the decision of the General Meeting.

Article 192

(Trade of Interim Certificates)

(1) Sale of shares and interim certificates which are issued instead of the nullified ones shall be performed by a professional intermediary in trade of securities, authorized by the Supervisory Board.

(2) Joint stock company shall publish the place and manner of sale of shares and interim certificates referred to in paragraph 1 of this Article at least 14 days prior to the day of sale and inform the shareholders and owners of interim certificates referred to in article 191 of this law about this in writing.

(3) The expenses incurred by the sale shall be covered by those shareholders and owners whose shares and interim certificates were declared null by the Supervisory Board.

Article 193

(Payment of liabilities)

Revenues realized by sale of shares and interim certificates which are issued instead of the nullified shares and interim certificates shall be used to pay for the liabilities, reduced by the claims of the joint stock company, towards the shareholders and owners of interim certificates referred to in Article 191 of this Law.

Article 194

(Shareholders and interim certificates)

Shareholders and owners of interim certificates referred to in Article 191 of this Law shall have the right to request the company to pay the paid amounts for shares and obligations from interim certificates, even if the joint stock company does not issue new shares and interim certificates.

Article 195

(Shareholders and dividends)

(1) Shareholder shall have the right to participate in the profits of joint stock

company, by collecting the dividend or acquisition of new shares, in accordance with the law and statute.

(2) Dividend shall be paid in proportion to the nominal value of shares, and for the shares that were not paid for in full, in proportion with the payments already made and time period from the day of payment until the end of the business year for which the dividend is being paid for.

(3) Dividend shall be paid to any shareholder who was on the list of shareholders on the day of making of the decision on payment of dividend.

(4) Decision on payment of dividend shall specify the amount of profits for the payment of dividend, amount per each share and the deadline for payment, whereby the deadline for payment must be equal for all shareholders.

(5) Calculation and payment of the dividend shall be done through the Register.

Article 196

(Decision on payment of dividends)

(1) The General Meeting of the joint stock company may make decision on payment of dividend in the event that the joint stock company is capable of executing operating liabilities and in the event that the market value of the assets is at least equal to the amount of total annual liabilities of the joint stock company.

(2) Joint stock company must pay the dividend on the basis of priority shares even if the total amount of profits and part of the reserve fund above the compulsory amount referred to in Article 180, paragraph 3 of this Law is sufficient only for payment of that dividend.

(3) The General Meeting of joint stock company may make decision not to pay dividend, by which it shall simultaneously determine the purpose of use of profits which belong to the shareholders.

Article 197

(Shareholders' rights)

(1) Rights of shareholders based on the shares of new class shall be determined in the decision on issuance, in accordance with the law.

(2) The rights contained within a share shall be exercised by the person entered into the Register or a person authorized by him/her.

Article 198

(Inheritance)

A shareholder who has acquired shares by inheritance shall take over the rights of his/her predecessor in continuity.

Article 199

(Transfer of shares)

(1) Shareholder shall have right to sell or transfer his/her shares upon other grounds to another person.

(2) Sale or transfer of shares upon other grounds, excluding succession, may be ruled out for a certain time period or otherwise restricted by means of the decision on

issuance of shares through closed sale, which in that regard produces effects towards all buyers of such shares, and the agreement concluded between the shareholders, which is binding only for its signatories.

Article 200

(Transactions within the Joint stock company)

In the event that the chairperson or member of Supervisory Board, director or another member of management is a buyer of shares in the new issuance of the joint stock company in the volume higher than 5% of the total number of voting shares, this shall be deemed a transaction within the joint stock company which has to be announced in accordance with the requirements of the Commission.

Article 201

(Pre-emptive right)

(1) In the course of a new issuance of shares, the existing shareholders shall have the right to buy new shares, within 30 days from the expiration of the deadline for registration of the new shares, in such volume as will retain their share in the share capital which they had before the new issuance.

(2) The decision on issuance, public call for registration of new shares which are issued by means of public offer, as well as the offer of purchase of shares through closed sale, must contain the designation on whether the right of the existing shareholders to buy new shares in order to retain their proportionate interest in the share capital in accordance with paragraph 1 of this article is maintained, limited or excluded.

Article 202

(New shares)

(1) Determination of the number of new shares by purchase of which the existing shareholders retain the share in the share capital of the joint stock company shall be conducted simultaneously for all the shareholders who use this right, not later than 15 days upon expiration of the deadline for subscription to the new shares.

(2) Right of pre-emptive purchase of shares shall not be transferable.

(3) In exercising the right referred to in Article 201 of this Law, the shareholders may conclude a written agreement on purchase of shares in the new issuance, which shall contain the number of shares subscribed to by each signatory to the agreement and replace the individual statements on registration and the list of subscribers.

Article 203

(Exclusion or limitation of pre-emptive right)

Right of pre-emptive purchase of shares in a single issuance may be excluded or restricted by decision of the General Meeting of the joint stock company, which is made by simple majority of votes of the total number of shares with voting right.

Article 204

(Right of Access to Documents)

(1) Shareholders and their proxies shall have the right of access to the following documents:

- a) articles of incorporation and statute, with all amendments;
- b) balance sheets, income statements and other documents which the company is required to deliver to the General Meeting or to institutions external to the joint stock company;
- c) minutes of the General Meeting and Audit Board;
- d) list of persons authorized to represent the joint stock company; and
- e) list of members of the Supervisory Board and management, with information about the address, date of election or appointment and the period for which he/she had been elected or appointed, and about the functions which they perform in other legal entities.

(2) Request of shareholders for access to documents referred to in paragraph 1 of this Article shall be fulfilled without delay during working hours at the premises of the joint stock company.

(3) Shareholder shall keep the information and documents on business operations which are designated as confidential as business secret.

Article 205

(Employee shares)

(1) Statute of the joint stock company may determine the possibility of issuance of a special class of employee shares, by decision of the General Meeting referred to in Article 129 or decision of the Supervisory Board referred to in Article 130 of this Law, adopted pursuant to and within the frame of the General Meeting decision referred to in Article 129 of this Law by which the distribution of profits for that purpose is performed.

(2) The sum of the nominal values of all employee shares may not exceed 5% of the share capital of the joint stock company.

(3) Employee shares shall contain the same rights as ordinary shares, except in the instances determined by this law.

Article 206

(Conditions and options to gain, transfer and purchase shares)

(1) Employee shares may be transferred only to other employees of the joint stock company.

(2) The rights contained within employee shares shall terminate on the day of death or termination of employment with the issuer.

(3) Company must purchase employee shares, paying a fair market value on the day of termination of employment.

(4) Requirements and manner of acquisition, transfer and purchase of employee shares shall be governed in detail by the joint stock company statute.

Article 207

(Priority shares)

(1) Joint stock company may issue shares which contain the right of priority collection of dividend and a proportionate part of assets after the liquidation of the joint stock company, with limited voting rights (hereinafter referred to as priority shares).

(2) Voting rights on the basis of priority shares may not be limited in cases of separate voting for each class of shares.

(3) Nominal value of priority shares may not exceed 50% of share capital of the joint stock company.

Article 208

(Priority shares rights)

Priority shares shall contain the right:

- a) to collect dividend for the last five years, before payment of dividend for ordinary shares;
- b) to partake in the distribution of assets which remain after the liquidation of joint stock company, before the ordinary shares;
- c) which belongs to shareholders with 10% of shares with voting right and for priority shares which make up for 5% of all shares with voting right;
- d) to convert into ordinary shares, if the dividend for priority shares had not been paid for two consecutive years, up until the payment of dividend in arrears.

Article 209

(Voting right)

Voting right on the grounds of priority shares may not be excluded in the course of decision making on:

- a) decrease of share capital;
- b) merger, acquisition, division, transformation and termination of the joint stock company;
- c) purchase, sale, swap, taking under lease and other transactions in cash, directly or through subsidiary companies, in the volume exceeding one third of the bookkeeping value of the total assets of the joint stock company;
- d) amendments to the statute.

Article 210

(Acquiring voting rights)

(1) Priority shares shall acquire voting right as ordinary shares on the next day after the decision is made that the dividend shall not be paid, or upon expiration of the deadline for payment of dividend for the second consecutive business year for which the

dividend has not been paid.

(2) The voting rights referred to in paragraph 1 of this Article shall be valid until the day of payment of dividend on the grounds of priority shares.