LAW ON BUSINESS COMPANIES

I GENERAL PROVISIONS

1. Basic definitions

Scope of this law
Article 1
This Law shall regulate the legal status of business companies and entrepreneurs and in particular their incorporation, managing, status changes, changes of legal form, as well as their dissolution.

The provisions hereof are also applied to all forms of private businesses which have been incorporated and which operate under a separate law, unless that law provides otherwise.

The definition of a company
Article 2
A business company (hereinafter referred to as the company) is a legal entity conducting an activity with the aim of gaining profit.

Acquisition of legal entity status
Article 3
A company acquires the status of legal entity through registration in accordance with the law which regulates the registration of business companies (hereinafter referred to as: the law on registration).

Business activities
Article 4
A company, entrepreneur and a branch of a foreign legal entity have their core business activity, but they may also conduct all other legally allowed activities, regardless of whether they have been provided in the company’s memorandum of association or articles of association.

A separate law may condition the registration or conducting a certain activity by the existence of a preliminary approval, consent or other competent authority’s act.

Registration
Article 5
Registration of business companies and entrepreneurs, or registration of data and documents provided under this law is carried out in keeping with the law on registration.
The effect of registration on third parties

Article 6

Third parties which rely on registered data in legal transactions shall not bear adverse legal consequences of misregistered data.

It is considered that third parties are informed about the registered data starting from the day after the day of registration of these data in keeping with the law on registration.

As an exemption from Paragraph 3 of this Article, third parties may argue, that it was not possible for them to become aware of these data within the period of 15 days of the date of publication of registered data.

The company may argue that the third parties were aware or had to be aware of the company documents and data even before their registration, in line with the law on registration.

The territorial jurisdiction of the court

Article 7

The commercial court with location according to the seat of the company, entrepreneur, i.e. according to the place of business operation of the foreign legal entity, is competent to act in disputes and out-of-court proceedings initiated in cases provided herein, as well as for disputes arising herefrom, except if this law provides territorial jurisdiction of another court.

Legal forms

Article 8

The legal forms of business companies are:
1) general partnership;
2) limited partnership;
3) limited liability company;
4) joint stock company.

Company shareholders

Article 9

Persons who incorporate a company and persons who subsequently join it are as follows:
1) in a partnership - partners;
2) in a limited partnership – general and limited partners;
3) in a limited liability company – limited liability company shareholders;
4) in a joint stock company - stockholders.

A common name for persons listed under Paragraph 1 of this Article is company shareholders.

A company shareholder may be a natural person and a legal entity.

Duration of a business company

Article 10

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

It is considered that a company is incorporated for an indefinite period, unless it is provided otherwise by the memorandum of association, or articles of association.
Unless the memorandum of association stipulates otherwise, a company incorporated for a
definite period may extend the duration of the company or continue its operation as a company
incorporated for an indefinite period, if, until the expiry of the period for which it is incorporated,
or until the completion of the liquidation procedure and in keeping with this law, the resolution on
this is adopted by:

1) in case of a general and limited partnership –unanimously by all partners, or general
partners;
2) in case of a limited liability company and joint stock company – by the shareholders,
or stockholders’ meeting resolution adopted by a two-third majority of all shareholders, or
stockholders of the company.

Resolution from Paragraph 3 of this Article is registered in line with the law on
registration.

2. Company constitution documents and agreements
with regard to the company

Memorandum of association and other documents

Article 11

A memorandum of association is a constitution document that takes the form of articles of
incorporation if the company is incorporated by s single person, or the form of a corporation
charter if it is incorporated by several persons.

On company incorporation, signatures on the memorandum of association are certified in
keeping with the law which regulates signature certification.

In a general partnership, limited partnership and a limited liability company, a
memorandum of association is also the company’s by-law which regulates the management of a
company, company’s internal organisation and other issues in keeping with this law for each
individual legal form of a company.

A joint stock company has articles of association as the company’s by-law which regulates
the management of a company, company’s internal organisation and other issues in keeping with
this law, unless a separate law provides otherwise.

The memorandum of association and articles of association are registered in line with the
law on registration.

Amendments to the memorandum of association and articles of association

Article 12

The memorandum of association of a general partnership, limited partnership and limited
liability company is amended by the resolution partners, general partners and limited partners, or
the shareholders’ meeting in keeping with this law.

The resolution from Paragraph 1 hereof must be signed by persons who voted for it, and
this resolution is certified in keeping with the law if it is provided in the memorandum of
association and if this obligation was registered in keeping with the law on registration.

A joint stock company’s memorandum of association shall not be amended.
A joint stock company’s articles of association shall be amended by the resolution of the stockholders’ meeting, or by that of another corporate body provided in this law, in keeping with the provisions hereof.

Following each amendments to the memorandum of association, or articles of association, the company’s legal representative is obliged to draw up and sign the consolidated text of these documents.

Amendments to the memorandum of association and articles of association, as well as consolidated texts of these documents are registered in line with the law on registration following each such amendment.

Nullity of a memorandum of association
Article 13

A Memorandum of association is null and void if:
1) it does not have the form provided under this law; or
2) the company’s business activity is contrary to the imperative regulations or public order; or
3) it does not include provisions on the company’s business name, shareholders’ contributions, the amount of the share capital or the company’s core activity; or
4) all signatories, on entering a memorandum of association, were legally or commercially incapable.

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

The procedure of establishing and effectiveness of nullity
Article 14

Nullity of a memorandum of association shall be established by the competent court.
If reasons for nullity are not removed by the conclusion of the main hearing, the court shall establish the nullity of a memorandum of association by means of a court decision.
If a business company is registered, the court decision establishing the nullity of a memorandum of association is delivered, as it comes into effect, by the court to the business companies’ register, for the purpose of initiating the procedure of forced liquidation of the company, in keeping with this law.

Nullity of a memorandum of association shall not have effect on the company’s legal transactions with conscientious third parties.
Limited partners, shareholders of limited liability companies and stockholders are obliged to pay, or enter the subscribed capital, and perform other duties undertaken towards the company, to the extent necessary to fulfil the obligations of the company towards conscientious third parties.
Partners and general partners have joint and several, as well as unlimited liability for the company’s obligations towards conscientious third parties.

Agreements with regard to the company
Article 15
A shareholder may enter a written agreement with one or more shareholders of the same company which regulates their mutual relations with regard to the company, unless otherwise provided herein.

By means of the agreement from Paragraph 1 of this Article, the shareholders who have entered it may stipulate:

1) special obligations of these shareholders towards the company;
2) rights and obligations of these shareholders with regard to the transfer of shares, or stocks;
3) how they will vote in the shareholders’ meeting, on certain or all issues;
4) the method of redistribution of profit between these shareholders;
5) the method of solving a deadlock in decision-making;
6) other issues relevant to their mutual relations.

The agreement from Paragraph 1 of this Article has effect exclusively on the company shareholders who have entered it.

The agreement from Paragraph 1 hereof, is called a partners’ agreement in case of a general partnership, shareholders’ agreement in case of a limited partnership and limited liability company, and the stockholders’ agreement in case of a joint stock company.

Compensation of costs with regard to company incorporation

Article 16

The company may compensate to its shareholders the costs with regard to the company incorporation exclusively if it was provided in the memorandum of association.

In case from Paragraph 1 of this Article the memorandum of association must stipulate or estimate the amount of these costs

3. Liability for the company’s obligations

Basic Rule

Article 17

The company shareholders are liable for the obligations of the company in keeping with the provisions hereof which regulate certain forms of a company, as well as in cases from Article 18 hereof.

Wrongful abuse of legal form

Article 18

A limited partner, a limited liability company shareholder as well as the legal representative of this entity if it is a physical entity incapable for performing business operations, and a stockholder who abuses the rule of limited liability shall be held liable for the company’s obligations.

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

1) uses the company to achieve a goal, that is, otherwise forbidden to him/her;
2) uses the company’s assets or disposes with them as if they were his/her own personal assets;
3) uses the company or its assets for the purpose of damaging the company’s creditors;
4) in order to procure personal gain or gain for third parties, reduces the company’s assets, although the person was aware or had to be aware that the company would not be able to fulfil its obligations.

A company creditor may file a lawsuit against the person from Paragraph 1 of this Article within six months of the date it found out about the abuse, and no later than five years from the date of abuse.

In case the claim of the creditor from Paragraph 3 of this Article was not due at the moment the creditor found out about the abuse, the six-month deadline shall start running as of the claims’ due date.

4. Company seat and delivery

Seat
Article 19
A company seat shall be a place in the territory on the Republic of Serbia from which the company’s operations are managed and which has been determined as such by the memorandum of association or shareholder’s meeting resolution.

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

The resolution on the change of seat is made by the company’s shareholders’ meeting, unless the memorandum of association, or articles of association provide otherwise.

Address of the company seat is registered in line with the law on registration.

Delivery and mailing address
Article 20
Delivery is carried out to the company seat address.
Notwithstanding Paragraph 1 of this Article, a company may have a separate address for receiving mail, which is registered in the business companies’ register.

In the case from Paragraph 2 of this Article delivery is carried out to the mailing address, although delivery to the company’s seat shall also be considered to be due delivery.

If the delivery of notices to the company carried out by registered mail in the sense of the law regulating postal services was unsuccessful, it shall be considered that the delivery of such mail was duly performed upon the expiration of the term of eight days of the date of the second forwarding of this mail, on condition that at least 15 days have elapsed between the two forwarding actions.

Delivery of notices in the court, administrative and tax proceedings is performed in keeping with separate laws.

E-mail address
Article 21
A company may have an address for receiving electronic mail.
The due delivery of an electronic document to the company is determined in keeping with the law regulating electronic document.

5. Business name

Business name

Article 22

A company operates and participates in legal transactions under a business name which it registered in line with the law on registration.

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

A company name is a characteristic part of the business name which distinguishes that company from other companies.

Legal form shall be indicated in the business name as follows:

1) for a general partnership the word „ortačko društvo“ (“partnership”) or the abbreviations “o.d.” or “od”.
2) for a limited partnership must include the words „komanditno društvo“ (“limited partnership”) or the abbreviations “k.d.” or “kd”.
3) for a limited liability company the words „a limited liability company“ (“limited liability company”) or the abbreviations “d.o.o.” or “doo”.
4) for a joint stock company, the words „akcionarsko društvo“ (“joint stock company”) or the abbreviations “a.d.” or “ad”.

The words “u likvidaciji” (“in liquidation”) shall be added to the business name of a company in liquidation.

The business name may include the description of the scope of the company’s business operation.

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

Abbreviated business name

Article 23

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

The abbreviated business name shall comprise the name and the legal form and is registered in line with the law on registration.

Language and alphabet of a business name

Article 24

The business name of a company shall in the Serbian language, in Cyrillic or Roman alphabet.
Notwithstanding Paragraph 1 of this Article, the company’s business name may be in a foreign language or may include certain foreign words or characters in Roman alphabet of the English language, as well as Arabic or Roman numerals.

A company may also use the translation of the business name in a foreign language in its business operations.

The use of a business name, stamp and other data in documents
Article 25

Business letters and other company’s documents, including electronic ones, addressed at third parties shall include the registered or abbreviated business name, seat, mailing address for receiving mail, if it is different from the seat address, the company number and the company tax identification number.

Alongside the business name, the company may use the coat of arms, flag, other logo or mark of the state, domestic territorial unit, international organisation, with consent of the competent authority of that country, domestic territorial unit or international organisation.

The company is not obliged to use the seal in business letters and other company documents, unless the law provides otherwise.

The company may not bring out deficiencies with regard to the form of business letters and other documents provided in this Article against third conscientious parties.

Restrictions to transferring an use of the name
Article 26

The registered company name may not be transferred to another company, except as a consequence of the status change in which such a name is taken over by the acquiring company from the transferor company which ceases to exist.

If a legal entity-company’s shareholder whose name is included in the company name ceases to be the shareholder of that company, that company’s name may continue to include that name only with the consent of that entity.

Restrictions regarding the business name
Article 27

A business name may not be such that it:
1) offends the public moral;
2) may be misleading regarding the company’s legal form;
3) may be misleading about the company’s core business activity.

The business name which does not fulfil the conditions from Paragraph 1 of this Article may not be registered in the companies register.

In case of breach of provisions from Paragraph 1 of this Article, the republic prosecuting attorney may launch a lawsuit against the company in breach (hereinafter referred to as the offending company) in which it may demand the change of the offending company’s name.

The proceedings following the lawsuit from Paragraph 2 of this Article are urgent.
Protection of the company name
Article 28

The company name may not be the same as another company name. The company name must be different from the name of another legal entity so that it is not misleading about the identity in relation to another company.

In case of breach of provisions from Paragraphs 1 and 2 of this Article, an interested party may launch a lawsuit against the company in breach (hereinafter referred to as the offending company) in which it may demand:

1) the change of the offending company’s name; and/or,
2) compensation of the damage incurred.

The lawsuit from Paragraph 3 of this Article may be launched within three years of the date of registration of the offending company’s name in keeping with the law on registration.

The proceedings following the lawsuit from Paragraph 1 of this Article are urgent.

When the court decision ordering the change of offending company’s name comes into effect, it shall be delivered by the court to the business companies’ register.

If the offending company does not change the company name within 30 days of the date of coming into effect of the decision from Paragraph 4 of this Article, the business companies’ register shall, ex officio, launch the procedure of forced liquidation of the offending company.

Restrictions on the use of national and official names and symbols
Article 29

A company’s business name may include the name of the Republic of Serbia or its territorial unit, autonomous region, with prior consent of the competent authority in line with the law.

The company’s business name may include the name of a foreign state or an international organisation with consent of the competent authority of that country’s authorities or that of the international organisation.

Provisions of Paragraphs 1 and 2 of this Article also refer to names in a foreign language, as well as to their adjectival forms.
Notwithstanding Paragraphs 1 and 2 of this Article, the consent is not necessary if the founder’s business name includes the name of that country, domestic territorial unit, autonomous region or international organisation.

At the request of the country, domestic territorial unit, autonomous region or international organisation whose name is an integral part of the company’s business name, its name shall be deleted from the company’s business name in the register of business companies.

Restrictions on use of personal names
Article 30

A company’s business name may include a natural person’s name with his/her approval, and if the person is deceased, the consent of his/her legal heirs.

If a company’s shareholder whose personal name is included in the business name ceases to be the shareholder of that company, that company’s name may continue to include that personal name only with the consent of that person, and if that person is deceased, with the consent of his/her legal successors.

In case of breach of the provision from Paragraphs 1 and 2 of this Article, the natural person, and if that person is deceased, his/her legal heirs shall claim protection in keeping with Article 28 hereof.

Notwithstanding the existence of consent from Paragraph 1 of this Article, if a company, in its operations or otherwise, offends the honour and reputation of the person whose name was entered in its business name, this person, and if this person is deceased, his/her legal heirs may file a lawsuit to the court of jurisdiction and request deletion of his/her name from the business name and compensation of possible damage incurred.

6. Representation and representatives

6.1. Representatives

Company’s legal (statutory) representatives
Article 31

A company’s legal (statutory) representatives, as referred to herein are persons who have been legally appointed as such for each individual company form.

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

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

The company which performs the function of a legal representative executes this function through its legal representative who is a natural person or through a natural person authorised to do so by means of a special power of attorney issued in writing.

The company’s legal representatives and persons under Paragraph 4 of this Article are registered in line with the law on registration.

Other representatives
Article 32
In addition to legal representatives, a company’s representatives, as referred to herein shall also be persons who are authorised, by means of a by-law or a company’s competent body’s resolution, to represent the company and who are registered as such in keeping with the law on registration.

If the company successively accepts that a person acts as a representative in a way in which it leads third parties to believe that he/she has the right to represent, it shall be considered that the company conclusively authorised that person to represent, unless that company proves that the third party knew or had to know about the inexistence of this person’s authorisation to represent.

Restrictions of representatives’ authority
Article 33

A representative is obliged to act in line with the restrictions of his/her authorities established in the company’s documents or resolutions of the company’s competent bodies.

Restrictions of authority of the representatives may not be brought out against third parties.

Notwithstanding Paragraph 2 of this Article, restrictions of representatives’ authorities in terms of co-signatures may be brought out against third parties if they are registered according to the law on registration.

Employed attorneys-in-fact
Article 34

Persons who are employed with the company in positions the execution of which includes entering into or fulfilment of certain agreements or taking certain legal actions, are authorised, as the company’s attorneys-in-fact to enter into and complete these agreements, or take legal actions within the limits of the jobs they are employed to perform.

An employed person as referred to herein, means a natural person who is in labour relations with the company, as well as a person who is not in labour relations with the company if this person performs a function in the company.

6.2. Procura

The definition of procura
Article 35

Procura is a business power of attorney in which the company authorizes one or more natural persons (hereinafter referred to as the procurator) to conclude legal transactions and take other legal actions in its name and on its behalf.
Notwithstanding Paragraph 1 of this Article, a procura may also be issued for the company’s branch only.
A procura is not transferrable and a procurator may not issue a power-of-attorney to another person.

Issuing a procura
Article 36
A procura is issued by means of a partners’, general and limited partners’ resolution, that is, resolution of the shareholder’s meeting, unless provided otherwise in the company’s memorandum of association or articles of association.
A procurator is registered in line with the law on registration.

Types of procura
Article 37
A procura may be individual or joint procura.
If a procura is issued for two or more persons without an indication that it is a joint procura, each procurator acts independently.
If a procura is issued as a joint procura, legal transactions concluded or legal actions taken by the procurators are valid with express agreement of all procurators, unless it is indicated in the procura that agreement of a specific number of procurators suffices for a procura to be valid.
Agreement from Paragraph 3 of this Article may be given also as a preliminary or subsequent approval.
Expression of will or a legal action taken towards one procurator has legal effect as if it was taken towards all procurators.

Restrictions of a procura
Article 38
A procurator may not do the following without a special authorisation:
1) conclude legal transactions and take legal actions with regard to acquisition, disposal or encumbering property and shares and stocks that the company holds in other legal entities;
2) take on liability on the instrument and guarantee liability;
3) enter into loan and credit agreements;
4) represent the company in court proceedings or before arbitration.
Restrictions of a procura which have not been expressly provided herein do not have effect against third parties.
Notwithstanding Paragraph 2 of this Article, it is allowed to restrict the authorities of a procurator by means of a co-signature of the company’s legal representative or another procurator (joint procura).

Revocation and termination of a procura
Article 39

The company may revoke a procura at any time.

A company may not waive its right to revoke a procura, and cannot limit or condition that right in any way.

A procurator may terminate a procura, at any time, provided that in the subsequent 30 days, counting from the date of delivery of the resignation to the company, he/she enters into legal transactions and takes other legal actions if necessary to avoid incurring damage to the company.

Entrepreneurial procura

Article 40

An entrepreneur issues a procura personally and may not transfer the authority for issuing a procura to another person.

6.3. Liability and restrictions for representatives, employed attorneys-in-fact and procurators

Exceeding authority

Article 41

A company’s representative, employed attorney-in-fact and procurator are liable for damage they incur to the company by exceeding the limits of their authorities.

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

Entering into agreements on behalf of the company with oneself

Article 42

A company representative, employed attorney-in-fact and procurator may not act as the other contracting party and conclude agreements in their name and on their behalf, in their name and on another person’s behalf or in the name and on behalf of another person without a special authorisation.

Authorisation from Paragraph 1 of this Article is granted by the resolution of the company’s partners and general partners, that is, the shareholders’ meeting, unless the memorandum of association or articles of association provide otherwise.

Restriction from Paragraph 1 of this Article shall not apply to the legal representative who is at the same time the sole shareholder of the company.

Signing

Article 43

On signing documents on behalf of the company, each company representative and procurator is obliged to state his/her position in the company.

Stating the position in line with Paragraph 1 of this Article is not a formal precondition for the validity of the signed document.
7. Company’s assets and capital

7.1. Basic definitions

Assets, net assets and share capital

Article 44

The company’s assets, as referred to in this law, comprise assets and rights owned by the company as well as other company’s rights.

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

The company’s share (registered) capital is the pecuniary amount of the company’s shareholders’ subscribed contributions to the company which are registered in the register of business companies.

7.2. Contributions to the company

Types of contributions

Article 45

A company’s contributions may be pecuniary and in kind contributions and are expressed in dinars.

If the payment of the pecuniary contribution is carried out in foreign currency in line with the law regulating foreign exchange transactions, the contributions’ equivalent in Serbian dinars is calculated at the National Bank of Serbia’s median exchange rate as of the date of contribution payment.

In kind contributions may be contributions in property and rights, unless provided otherwise herein for certain forms of companies.

Obligation to pay, or enter a contribution

Article 46

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

Pecuniary and in kind contribution on incorporation of the company, or increase of the share capital must be paid, or entered within the term provided in the memorandum of association, or resolution to increase the capital, provided that this term is calculated as of the date of adoption of that memorandum of association, or resolution and may not exceed:

1) two years in case of a pecuniary contribution for a joint-stock company which became a public company pursuant to a successfully carried out public bid of stocks, or whose stocks have been included in trade on the regulated market, i.e. on a multilateral commercial platform as
referred to in the law which regulates the capital market (hereinafter: public joint-stock companies);

2) five years, for other companies.

A company may not release the persons from Paragraph 1 of this Article of the obligation to pay in or make a contribution to the company, except in the procedure of reduction of capital with the application of Article 316 hereof on the protection of creditors.

Notwithstanding Paragraph 3 hereof, by means of a unanimous resolution of partners, general partners, or the shareholders’ meeting, unless a different majority is provided under the company’s memorandum of association or articles of association, but not less than the majority of votes of all company’s shareholders, the obligation of the persons from Paragraph 3 of this Article may be replaced, with their consent, by another obligation, as follows:

1) obligation to pay in the pecuniary contribution to the company by the obligation to enter an in kind contribution of the same value;

2) obligation to enter in kind contribution into the company by the obligation to pay in the pecuniary contribution of the same value; or

3) obligation to enter one in kind contribution to the company by the obligation to enter another in kind contribution of the same value.

Consequences of taking on the responsibility to pay-in or enter a contribution

Article 47

Pursuant to the undertaken obligation, persons from Article 46, Paragraph 1 hereof shall acquire a share in the company, or the company’s stocks.

Shares which are entered, or paid in to the company become the company’s property.

Consequences of failing to pay, or failing to enter a contribution

Article 48

The memorandum of association, i.e. articles of association in case of a joint-stock company may provide an obligation of paying a liquidated damage, for a delay in completion or for the event of default of the obligation from Article 46, Paragraph 1 hereof when it comes to in kind contribution.

In case a shareholder fails to fulfil his/her duty from Article 46, Paragraph 1 hereof, a company may invite this shareholder in writing to fulfil this obligation in an additional term which shall not be shorter than one month, calculating from the date of forwarding the invitation.

Notwithstanding Paragraph 2 of this Article, a public joint-stock company is obliged to forward the invitation from Paragraph 2 of this Article within three months of the expiry of the term for carrying out the company shareholder’s duty from Article 46, Paragraph 1 hereof, unless a shorter term is provided in the memorandum of association, i.e. articles of association.

If several shareholders failed to perform their obligation from Article 46, Paragraph 1 hereof, the invitation from Paragraphs 2 and 3 of this Article is forwarded to all such shareholders simultaneously with the same term for fulfilment of obligation.

In the invitation from Paragraphs 2 and 3 of this Article, the company is obliged to warn such shareholder that, in case he/she fails to fulfil his/her obligation in the additional term, he/she shall be expelled from the company.
The company is obliged to publish the invitation from Paragraphs 2 and 3 of this Article within three days of forwarding the invitation on the business companies register’s web page, for at least the duration of the term from Paragraphs 2 and 3 of this Article.

If the company shareholder from Paragraphs 2 and 3 of this Article fails to fulfil his/her obligation in the additional term, the company may adopt a resolution to expel such a shareholder from the company, while a public joint-stock company is obliged to adopt that resolution.

Liability in case of transfer of shares, or stocks
Article 49

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

The rights of the company from Paragraph 1 of this Article are claimed by means of a lawsuit filed to the court of jurisdiction, which may be filed by, in addition to the company, also by the company shareholders who own or represent at least 5% of the company’s share capital.

Establishing the value of the in-kind contribution
Article 50

The value of an in kind contribution is established:
1) by mutual agreement of all the company’s shareholders; or
2) by means of an assessment, pursuant to Article 51 hereof.

Notwithstanding Paragraph 1 of this Article, in public joint stock companies, the value of in kind contribution is established exclusively by means of an estimate pursuant to Article 51 hereof.

Evaluation of the in kind contributions value
Article 51

The value of the in kind share in the company is evaluated by a certified court expert, auditor or another expert who is authorised by the Republic of Serbia’s competent body to establish the values of certain assets or rights.

The evaluation from Paragraph 1 hereof may be carried out also by a company which fulfils the legally prescribed terms to carry out evaluations of assets or rights that are the subject matter of evaluation.

The evaluation from Paragraph 1 of this Article shall not be older than one year calculating from the date of entering the in kind contribution.

Evaluation from Paragraphs 1 through 3 of this Article is registered in keeping with the law regulating business companies’ registration.

Contents of evaluation

C'M'S' Reich-Rohrwig Hasche Sigle
Article 52

Evaluation from Article 51 hereof includes the following in particular:

1) description of each item of property or right which make up the in kind contribution;
2) evaluation methods used;
3) statement as to whether the value established by means of the application of such methods is at least equal to the par value, or in the absence of a par value, to the accounting value of the share, or stocks which are acquired, increased by a premium paid for these stocks if it exists.

Selection of evaluator

Article 53

In case of evaluation of value of the in-kind contribution on the incorporation of a company, the person from Paragraphs Article 51, Paragraphs 1 or 2 hereof are selected by mutual agreement of the company shareholders and, in other cases, the person is selected by the board of directors, or supervisory board if there is a two-tier board system, unless provided otherwise by the company’s memorandum of association or articles of association.

Changed circumstances

Article 54

In case that, from the date of making the evaluation from Article 51 hereof until the point of entering the in kind contribution into the company circumstances occurred which reduce the value of the in kind contribution, the company is obliged to re-evaluate the value before entering such a contribution, pursuant to Articles 51 through 53 hereof.

In case from Paragraph 1 of this Article, the shareholder who enters an in-kind contribution is obliged to make an additional pecuniary payment to the company of the difference in value within the term for entering the in-kind contribution.

The rights of the company shareholders when an evaluation was not carried out

Article 55

If the company fails to act in keeping with Article 54 hereof, shareholders who owned shares or stocks which represent at least 5% of the company’s share capital on the date of making the resolution to subscribe shares or issuing stocks, by means of that in kind contribution have the right, until its entry is made into the company, to request from the company in writing to carry out the evaluation of that in kind contribution pursuant to Articles 51 through 53 hereof, provided that, on submission of such a request they also own shares or stocks representing at least 5% of the company’s share capital.

If the company fails to act in line with the request from Paragraph 1 of this Article within 15 days of the date of receipt thereof, the company shareholders from Paragraph 1 of this Article...
are entitled to demand that the competent court establishes the value of the subject-matter in kind contribution in an out-of-court procedure.

The motion from Paragraph 2 of this Article may not be filed to the court of jurisdiction upon the expiry of the three-month term as of the date of entering the in kind contribution into the company.

Exception from the obligation to evaluate the in kind contribution which is not made up of securities and money market instruments

Article 56

Notwithstanding Article 51 hereof, the company’s board of directors, or supervisory board if it has a two-tier board system, or another body appointed by the company’s memorandum of association, or articles of association may decide not to carry out the evaluation of the in kind contribution which is not made up of securities and money market instruments if the market value of individual assets and rights making up the in kind contribution can be established from the annual financial statements of the person entering the contribution, provided that these statements were subject to an audit, for the year preceding the year in which the in kind contribution was entered.

In case that, from the date of the financial reports from Paragraph 1 of this Article until the point of entering the in kind contribution into the company, circumstances which significantly change the value of such in kind contribution occurred, Article 54 hereof shall apply accordingly.

Establishing the value of securities and other money market instruments

Article 57

If an in kind contribution is made up of securities or money market instruments, the value of such a contribution is established on the day which does not precede the date of entering the in kind contribution into the company by more than 60 days.

The value of the in kind contribution from Paragraph 1 of this Article is established as an average weighted price of these securities or money market instruments achieved on a regulated capital market, i.e. multilateral commercial platform as referred to in the law regulating the capital market, in the last six months before the date of establishing this value, provided that:

1) in this period, the turnover volume of these securities, or money market instruments the value of which is being established amounted to at least 0.5% of the total number issued;
2) in the period of at least three months within that period, the achieved turnover volume of securities, or money market instruments amounted to at least 0.05% of the total number issued.

If conditions from Paragraph 2 of this Article are not met, or if during the period from the date of establishing the value from Paragraph 1 hereof circumstances occurred which significantly change the value of the in kind contribution, the company is obliged to carry out its evaluation in keeping with Article 51 hereof.

If the company fails to act in line with Paragraph 4 of this Article, shareholders holding the shares or stocks which represent at least 5% of the company’s share capital are entitled to demand, until the expiry of the three month term of the date of entering the in kind contribution
into the company, that the court of jurisdiction establishes the value of that in kind contribution in out-of-court proceedings.

The company may decide to establish the value of the in-kind contribution from Paragraph 1 of this Article by means of evaluation pursuant to Article 51 hereof and when conditions from Paragraph 2 of this Article have been met.

Obligations of the company if the evaluation of the in kind contribution was not performed

Article 58

If, under Articles 56 and 57 hereof, no evaluation of the value of in kind contribution was performed in keeping with Article 51, Paragraph 1 hereof, the board of directors, or the supervisory board, in case of two-tier board system, is obliged to issue a certificate which includes:

1) the description of the subject matter in kind contribution;
2) its value, the method by which this value was established and methods of its evaluation, if applicable;
3) statement as to whether the value established through the application of these methods is at least equal to the total par value, or, in the absence of the par value, to the accounting value of the contribution, or stocks acquired, increased by the premium paid for these stocks, if it exists; and
4) statement that circumstances which significantly affect the value of this in kind contribution have not occurred.

The company’s board of directors, or supervisory board if there is a two-tier board system, is obliged to register the certificate from Paragraph 1 of this Article in keeping with the law on registration.

Refuting the value of in kind contributions established mutual agreement

Article 59

If the value of the in kind contribution was established by mutual agreement of the company shareholders pursuant to Article 50 Paragraph 1, Item 1) hereof, and the company was unable to settle its liabilities within its ordinary course of operation, a company’s creditor is entitled to demand that the court of jurisdiction establishes, in an out-of-court proceeding, the value of the in kind contribution at the time of entering the contribution.

If the court, in the proceedings from Paragraph 1 of this Article establishes that the value of the in kind contribution was less than that established by mutual agreement, the court shall order the company shareholder who entered such in kind contribution to pay the difference up to the value of this contribution established by mutual agreement to the company.

A company shareholder, who entered the in kind contribution the value of which was established by mutual agreement, shall bear the burden of proving the value of this in kind contribution.

Motion to the court of jurisdiction from Paragraph 1 of this Article may not be filed upon the expiry of the five year term of the date of entering the in kind contribution into the company.
Ban on contribution refund
Article 60

Paid in, i.e. entered contributions may not be refunded to the company’s shareholders, nor
may they be paid interest on what they invested in the company.

Payment of price when acquiring own shares, or stocks, or other payments to company
shareholders made in keeping with this law shall not be considered to be the refund of the
contribution to the company shareholders.

8. Special duties to the company

Persons with special duties towards the company
Article 61

The following persons shall have special duties towards the company:
1) partners and general partners;
2) shareholders of a limited liability company who own a significant share in the
company’s share capital or the controlling member of the company as referred to in Article 62
hereof;
3) stockholders who own a significant share in the company’s share capital or the
controlling shareholder as referred to in Article 62 hereof;
4) directors, members of the supervisory boards, representatives and procurators;
5) liquidator.

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

Affiliates
Article 62

Affiliates, as referred to in this law, in relation to a natural person are considered to be his
his/her family members, as follows:
1) a person who is a blood relative of direct vertical lineage, regardless of the degree, or a
horizontal lineage to the third level of kinship, as well as a spouse of any of these persons;
2) his/her spouse or common law partner, as well as these persons’ relative to the first
level of kinship;
3) his/her adopter or adoptee and adoptee’s descendants;
4) other persons who live with this person in a joint household.

An affiliate as referred to in this law in relation to a specific legal entity is:
1) a subsidiary legal entity in which this legal entity owns a significant share in the
capital or right to acquire such share from convertible bonds, warrants, options or the like;
2) a legal entity in which this legal entity is the controlling company shareholder;
3) another legal entity that is, together with this legal entity, under the control of a third
party;
4) a person who owns a significant share in the capital of this legal entity or right to acquire such a share from convertible bonds, warrants, options and the like;
5) a person who is the controlling shareholder of that legal entity;
6) a person who is a director, or member of a managing or supervisory body of that legal entity.

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

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

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

It is considered that a particular person is the controlling company shareholder whenever such a person, alone or with affiliates, owns the majority share in the company’s share capital.

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

8.1. Due care and diligence

Definition

Persons from Article 61 Paragraph 1 Items 4 and 5 hereof are obliged to perform, in that capacity, their business conscientiously, with due diligence and in a reasonable conviction that they act in the company’s best interest.

The due diligence as referred to in Paragraph 1 of this Article implies the degree of attention enacted by a reasonably diligent person who would possess knowledge, skills and experience which could reasonably be expected for carrying out of that duty in a company.

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

Acting pursuant to the Paragraph 1 of this Article, persons from Article 61 Paragraph 1, Items 4 through 5 hereof may base their actions on information and opinions of persons who are experts in a particular field, for whom they reasonably believe that they acted conscientiously in that case.

The person from Article 61, Paragraph 1 Items 4 through 6 who proves that he/she acted in keeping with this Article shall not be held liable for damage incurred to the company from such acting.

Action due to due diligence breach

Article 64
A company may file a lawsuit against persons from Article 61 Paragraph 1, Items 4 through 5 hereof for compensation of damage that this person causes to it through breach of due diligence from Article 63 hereof.

8.2 Duty to Report Transactions and Actions in Which There is a Personal Interest

Definition

Article 65

The person from Article 61 hereof is obliged to notify the board of directors or supervisory board in case of two-tiered board system, of the existence of a personal interest (or interest of its affiliate) in the legal transaction entered into by the company, or in the legal action taken by the company.

Notwithstanding Paragraph 1 of this Article, in case of a company which has one director, notification from Paragraph 1 of this Article shall be addressed at the shareholders’ meeting, or the supervisory board in case of two-tier board system.

It shall be considered that there is a personal interest of persons from Article 61 hereof in case of:

1) entering into a legal transaction between the company and that person (or its affiliate); or
2) a legal action (taking actions in court and other proceedings, waiving the rights, etc.) that the company undertakes against this person (or its affiliate); or
3) entering into a legal transaction between the company and a third party, or taking a legal action against such a third party if such a third party is in a financial relationship with it (or its affiliate) and if it can be expected that the existence of such a relationship affects its actions; or
4) entering into a legal transaction, or taking a legal action by the company from which a third party has commercial interest, if such a third party is in a financial relationship with it (or with its affiliate) and if it can be expected that the existence of such a relationship shall affect its actions.

Approval of a legal transaction or action in case of a personal interest

Article 66

In cases from Article 65 hereof, as well as in other cases provided herein, entering into a legal transaction, or taking of a legal action is approved (unless a different majority is provided in a memorandum of association, or articles of association):

1) in case of a general partnership or limited partnership, by the majority vote of all partners, or general partners who do not have a personal interest;
2) in case of a limited liability company, if there is a director’s personal interest, by a majority of all votes in the shareholder’s meeting, or by the supervisory board, if there is a two-tier board system, and if there is a personal interest of a member of the supervisory board, or shareholder, by a majority of all votes of members of the supervisory board who do not have a personal interest;
3) in case of a joint-stock company, if a director’s personal interest exists, by a majority of votes of directors who do not have a personal interest, or by the supervisory board if there is a two-tier board system, and if a supervisory board member’s or stockholder’s personal interest
exists, by a majority of votes of members of the supervisory board who do not have a personal interest.

In case from Paragraph 1 Item 3) of this Article, if, due to the number of the board of directors’ members who do not have a personal interest in the subject-matter transaction there is no voting quorum, or if, due to a tie in votes between the members of the board of directors, i.e. supervisory board, the resolution cannot be adopted, the subject-matter transaction is approved by the company stockholders’ meeting, by a majority of votes of the stockholders who do not have a personal interest in that transaction.

The memorandum of association, i.e. articles of association of a company may provide that the shareholders’ meeting issues the approval from Paragraph 1, Items 2) and 3) of this Article.

In case that, pursuant to Paragraph 1 Item 3) of this Article, the board of directors, or the supervisory board approves a legal transaction in which there is a personal interest, the company’s stockholders’ meeting is notified thereof in the first subsequent session.

Notice from Paragraph 4 of this Article must include a detailed description of the legal transaction, as well as the nature and scope of the personal interest.

With regard to adopting the resolution from Paragraph 1 of this Article, for the purpose of establishing a quorum, the number of votes of those shareholders who do not have a personal interest in the subject-matter transaction shall be taken as the total number of votes.

Approval from Paragraph 1 is unnecessary in case of:
1) existence of personal interest of the sole company shareholder;
2) existence of a personal interest of all the company’s shareholders;
3) subscription or purchase of share, or stocks, pursuant to the pre-emptive subscription right, or pre-emptive purchase right of the shareholders;
4) acquisition of own shares, or stocks by the company, if such acquisition is carried out pursuant to the provisions hereof which regulate own shares, i.e. stocks or law which regulates the capital market.

Action due to a breach of rule on approving transactions which involve a personal interest

Article 67

If an approval of a legal transaction, or legal action pursuant to Article 66 hereof was not obtained, or, if the company’s competent body, on deciding on approving a legal transaction, or taking a legal action pursuant to Article 66 hereof was not presented with all the relevant facts for adopting such a resolution, the company may launch a lawsuit to annul such a legal transaction, or action, and for the compensation of damages from the person from Article 61 hereof which had a personal interest in this transaction, or legal action.

In case from Paragraph 1 of this Article, in addition to persons from 61 hereof, persons with unlimited joint and several liability for damage to the company are:
1) its affiliate, if it was a party in that transaction, or if legal action was taken against it; and
2) third party from Article 65, Paragraph 3, Items 3) and 4) hereof, if that person knew or had to have known about the existence of the personal interest at the time of entering into the legal transaction, or taking a legal action.
Notwithstanding Paragraph 1 of this Article, in case from Article 65, Paragraph 3, Items 3) and 4) hereof, a legal transaction, or legal action shall not be annulled if the third person from Article 65, Paragraph 3, Items 3) and 4) hereof was not aware, nor had to be aware of the existence of a personal interest at the time of entering a legal transaction, or taking a legal action.

Exception from the existence of breach of the rule on approving transactions involving a personal interest

Article 68

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

1) that the legal transaction, or legal action was in the interest of the company; or
2) that there was no personal interest in the case from Paragraph 65, Paragraph 3 Items 3) and 4) hereof.

8.3 Duty to avoid the conflict of interest

Definition

Article 69

Persons from Article 61 hereof must not do the following, in their own interest or in the interest of their affiliates:

1) use the company's assets;
2) use information they had access to in that capacity, which were otherwise not publicly available;
3) abuse their position in the company;
4) use possibilities for entering into transactions which present themselves to the company.

The duty to avoid the conflict of interest exists regardless of whether the company was able to use the assets, information, or enter into transactions from Paragraph 1 of this Article.

Exception from breach of the conflict of interest rule

Article 70

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

Action due to the breach of the conflict of interest rule

Article 71

A company may file a lawsuit against a person from Article 61 hereof who is in breach of the conflict of interest from Article 69 hereof, as well as against its affiliate from Article 69, Paragraph 1 hereof, in which it may demand:

1) compensation of damage;
2) transfer to the company of the benefit that this person, or affiliate from Article 69, Paragraph 1 of this Article earned as a consequence of that breach of duty.
8.4 Duty to keep business secrets

Definition

Article 72

Persons from Article 61 hereof, as well as persons employed in the company, are obliged to keep the company’s business secret.

Persons from Paragraph 1 hereof are obliged to keep the company’s business secret even after the expiry of that capacity, in the period of two years of the date of termination of that capacity, unless provided otherwise in the memorandum of association, articles of association, the company’s resolution, or an agreement concluded with these persons, provided that this period may not exceed five years.

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

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

A company document from Paragraph 4 of this Article:
1) may determine as a business secret only a piece of information which meets the conditions set out in Paragraph 3 of this Article; and
2) may not determine as a business secret all information which refer to the company’s operation.

Information from Paragraph 3 of this Article may be of a production, technical, technological, financial or commercial nature, a study, a research finding, as well as a document, formula, drawing, object, method, procedure, notice or internal instruction, and the like.

Exceptions from the duty to keep a business secret

Article 73

Disclosure of information from Article 72 hereof is not considered a breach of duty to keep a business secret, if such a disclosure:
1) is a legally provided obligation;
2) necessary for carrying out tasks or protection of the company’s interest;
3) was delivered to the competent authorities or public, exclusively with the purpose of pointing to the existence of an act punishable by law.

Consequences of a breach of duty to keep a business secret

Article 74

A company may file a lawsuit against a person from Article 61 hereof who is in breach of duty to keep a business secret, in which it may request:
1) compensation of damage;
2) expulsion of this person as a company shareholder if this person is a company shareholder;
3) termination of employment for this person, if this person was employed in the company.

Filing the lawsuit referred to in Paragraph 1 of this Article does not exclude or condition the possibility of terminating labour relations in line the law regulating labour relations.

A company is obliged to provide full protection to the person who acted in good faith and pointed to the competent bodies to the existence of information from Article 73, Paragraph 1, Item 3) hereof.

8.5 Duty to respect the competition ban

Definition
Article 75

The person from Article 61 Paragraph 1, Items 1) through 4) hereof may not, without obtaining the approval pursuant to Article 66 hereof:
1) have the capacity of person from Article 61 Paragraph 1 Items 1) through 4) hereof in another company which has the same or similar scope of business activity (hereinafter referred to as the competing company);
2) be an entrepreneur who has the same or similar scope of business activity;
3) be employed in a competing company;
4) be otherwise engaged in a competing company;
5) be a shareholder or founder in another legal entity which has the same or similar subject of business.

By means of a memorandum of association, or articles of association:
1) the ban from Paragraph 1 of this Article may be extended to other persons, but may not intrude upon these persons’ acquired rights;
2) ban from Paragraph 1 of this Article may be determined valid even after the expiry of the capacity from Article 61, Paragraph 1, Items 1 through 4 hereof, but for no longer than two years; and
3) tasks, method or place of their performance may be determined so that they are not in breach of the duty to respect the competition ban.

Ban from Paragraph 1 of this Article does not refer to the sole shareholder.

Action due to the breach of the competition ban rule
Article 76

A company may file a lawsuit against a person from Article 61, Paragraph 1, Items 1 through 4 hereof who is in breach of the competition ban rule from Article 75 hereof, in which it may also request the following:
1) compensation of damage;
2) transfer to the company of the benefit that this person, or competing company from article 75 hereof earned as a consequence of such breach;
3) expulsion of such person as the company shareholder, if this person is a company shareholder;
4) a measure banning this person, or competing company from Article 75 hereof from carrying out that business activity;
5) termination of employment for this person if this person is employed with the company.

8.6. Rules for filing lawsuits due to breach of special duties

Deadline for filing lawsuits for breach of special duties
Article 77
The lawsuit from Articles 64, 67, 71, 74 and 76 hereof may be filed within six months of becoming aware of the breach committed, and no later than within five years of the date of committed breach.

Shareholder’s action due to a breach of special duties (individual lawsuit)
Article 78
A company shareholder may file a lawsuit against persons from Article 61 hereof for compensation of damage this person has caused it through breach of special duties towards the company.

Derivative court action
Article 79
One or more shareholders may file a lawsuit from Articles 64, 67, 71, 74 and 76 hereof in their name, and on behalf of the company (hereinafter referred to as: derivative action), if, on filing the lawsuit:
1) they own shares or stocks which represent at least 5% of the company’s share capital, regardless of whether the grounds for taking derivative action occurred before or after acquiring the shareholder status; and
2) if, before filing a derivative action, they requested from the company to file an action on these grounds, and this request was rejected, or this request was not acted upon within 30 days of the date of submitting the request.
A company shareholder who acquired a share or stocks in the company from a person who filed a derivative action, may, with this person’s approval, replace this person in the dispute following that action until it is finally resolved, as well as in the proceedings following an extraordinary legal remedy.

Entering the action by a shareholder
Article 80
If a company has filed a lawsuit from Articles 64, 67, 71, 74 and 76 hereof, a shareholder who demanded that the company file a lawsuit may request from the court in which the proceedings are being conducted to allow it to enter into the lawsuit as an intervenor for the claimant.

If a company shareholder from Article 79 Paragraph 1 hereof filed a lawsuit from Articles 64, 67, 71, 74 and 76 hereof, another shareholder who fulfils the conditions from Article
Paragraph 1, Item 1 may request from the court in which the proceedings are being conducted to enter the lawsuit as an intervener for the claimant.

9. The shareholders’ right to information

The right to information and access to by-laws and documents

Article 81

A company shareholder is entitled to access the company by-laws or documents pursuant to the provisions hereof on each individual company form.

A shareholder may apply in writing to get access to the company by-laws or documents, whereby the shareholder is obliged to state the following in that application:

1) his/her personal data and data identifying him/her as a company shareholder;
2) documents, by-laws and data access to which is requested;
3) purpose to which access is requested;
4) data on the third parties to which the shareholder requesting access intends to disclose that document, by-law or data, if there is such an intent.

A company is entitled to withhold access to all or some of the requested by-laws or documents for justified reasons.

If the company does not act in line with the application from Paragraph 2 of this Article within eight days of the date of receipt thereof, the shareholder is entitled, within an additional 30-day term, to request that the competent court, in an out-of-court proceeding allows access to these by-laws or documents.

The competent court is obliged to decide on the request from Paragraphs 4 of this Article as an emergency procedure, no later than eight days from the date of receipt of the motion.

Use of the company’s by-laws or documents

Article 82

A company shareholder who gains access to the company’s by-laws or documents in keeping Article 81 hereof is obliged to use them exclusively for the purpose stated in Article 81, Paragraph 2, Item 3 hereof.

A company shareholder may not publish or disclose by-laws or documents from Paragraph 1 of this Article to third parties contrary to the purpose for which access was granted to him/her, nor to incur damage to the company in any way, except unless it is legally obliged to do so.

If a company shareholder from Paragraph 1 of this Article uses the company by-laws or documents he/she gained access to contrary to that purpose, or if he/she discloses them to third parties contrary to restrictions from Paragraph 2 of this Article, he/she shall be held liable for damage he/she thus incurred to the company.

Publication or disclosure to third parties of by-laws or documents from Paragraph 1 of this Article is not considered to be a breach of Paragraph 2 of this Article if the disclosure is a statutory obligation.

C’MS’ Reich-Rohrwig Hasche Sigle
II ENTREPRENEUR

The definition of an entrepreneur
Article 83
An entrepreneur is a natural person with business capacity who conducts an activity in order to earn revenues and which has been registered as such pursuant to the law on registration.
A natural person entered in a special register, who performs a free-lance profession business activity, organised by means of a special regulation, is considered to be an entrepreneur as referred to in this law if this regulation provides so.
An individual farmer is not an entrepreneur as referred to in this law, unless a special law provides otherwise.

The term for which an entrepreneur is registered
Article 84
An entrepreneur is registered for an unlimited period of time or a limited period of time.

Assets and liability for obligations
Article 85
An entrepreneur is liable for all his/her obligations arising from performing his/her activities with all of his/her own assets and these assets also include assets acquired with regard to conducting the business activity.
Liability for obligations from Paragraph 1 of this Article does not cease on deletion of the entrepreneur from the register.

Entrepreneur’s business name
Article 86
An entrepreneur conducts his/her activity under a business name.
An entrepreneur’s business name shall comprise the entrepreneur’s name and last name, description of core business activity, the word „preduzetnik” (entrepreneur) or the abbreviation „pr” and the seat and address.
The business name referred to in Paragraph 2 of this Article may also include a special name as well as indications which specify the entrepreneur’s scope of business activities.
The entrepreneur’s business name must differ from the name of another entrepreneur so that it is not misleading about the identity with regard to another entrepreneur, or misleading with regard to the entrepreneur’s subject matter of business operation.
Provisions from Articles 23 through 27 and Articles 29 and 30 hereof apply to the entrepreneur’s business name accordingly.

Entrepreneur’s seat and detached place of conducting business activity
Article 87
An entrepreneur’s seat is the place from which the entrepreneur manages conducting of the activities.
An entrepreneur may conduct his/her activities also outside his/her seat, pursuant to the law (detached place).

The detached place of conducting business activity is registered pursuant to the law on registration.

An entrepreneur may conduct his/her activity also outside the determined space (on invitation from a client, from place to place, etc.) when such performing of the business activity is only possible or commonly conducted by nature of such activity itself.

An entrepreneur is obliged to display his/her business name in his/her seat, as well as in every detached place, except in the case from Paragraph 4 of this Article.

The place of performing business activity must meet the terms established by the regulation for performing this duty.

Entrepreneur’s activity
Article 88

An entrepreneur may perform all legally allowed business activities for which he/she meets the provided conditions, including old and artistic crafts and the handicrafts industry.

Minister in charge of economy shall specify the activities, which, as referred to in this law, denote old and artistic crafts or handicrafts, the method of their certification and keeping record of issued certificates.

Manager and other employees
Article 89

An entrepreneur may entrust management to a natural person with business capacity by means of a written authorisation.

The management from Paragraph 1 of this Article may be general or restricted to one place or several detached places of conducting activity.

The manager must be employed with the entrepreneur.

Notwithstanding Paragraph 3 of this Article, if the entrepreneur is temporarily absent due to justified reasons (illness, education, election to an office, etc.) and does not have an employed manager, he/she may entrust general management to a member of his/her family household for the duration of this absence, without the obligation of employing this person.

The manager has the capacity of a legal representative pursuant to this law.

In cases in which the entrepreneur performs the activity through the manager, the manager is responsible for business activities jointly with the entrepreneur.

If special conditions are stipulated for conducting activity in terms of the manager’s personal qualifications, the manager must fulfil these conditions.

The manager is registered pursuant to the law on registration.

Persons working for the entrepreneur must be employed with the entrepreneur.

Notwithstanding Paragraph 9 of this Article, a member of the entrepreneur’s family household may work with this entrepreneur without concluding an employment relation:

1) occasionally during the day, exclusively in the company seat, if his/her presence is necessary due to the nature of this entrepreneur’s activity (so that an entrepreneur’s shop wouldn’t close during working hours, in order to clean business premises, etc.);

2) temporarily during professional training in performing old and artistic crafts or handicrafts, if the entrepreneur is performing this activity.
Suspension of conducting business activity
Article 90
An entrepreneur is obliged to display a notice on the period of suspension of performing business activities in the place in which he/she conducts business activity.
Suspension of conducting a business activity is registered pursuant to the law on registration and may not be established retroactively.

Loss of entrepreneur capacity and continuity of performing business activity by the heirs
Article 91
An entrepreneur loses the capacity of an entrepreneur by deletion from the business companies’ register.
Deletion of an entrepreneur from the register is performed due to cessation of conducting business activities.
An entrepreneur ceases to conduct business activities by means of a sign-off or by operation of the law.
An entrepreneur may not carry out the sign-off as of the date that precedes the date of submitting a report on ceasing to perform its business activities to the competent registration authority.
Deletion from the register may not be carried out retroactively.
An entrepreneur ceases to exist by operation of the law also in the following cases:
1) in case of death or loss of business capacity;
2) by the expiration of the term, if it was registered to conduct a business activity for a definite term;
3) if the business account is blocked for more than two years, pursuant to the application to delete the entrepreneur from the register submitted by the National Bank of Serbia or the Tax Authority;
4) if a valid court decision established the nullity of the entrepreneur’s registration;
5) if a valid court decision, enforcement decision of a competent authority or the court of honour of the chamber of which he/she is a member bans him/her from performing business activities;
6) in other cases provided by the law.
In case of death of an entrepreneur, a successor, or a member of his/her family household (spouse, children, adoptees and parents) may continue conducting the activity pursuant to a writ of succession or a mutual agreement on the continuation of conducting business activity signed by all heirs, that is, members of the family household.
The person from Paragraph 1 of this Article is obliged to apply to the register for continuation of conducting activity within 30 days of the date of the entrepreneur’s death pursuant to the law on registration.
The heir may continue to conduct the entrepreneur’s activity also in the entrepreneur’s lifetime if he/she enforces this right pursuant to the division of estate in his/her lifetime pursuant to regulations regulating succession.
Continuity of conducting the activity in the form of a company
Article 92

An entrepreneur may adopt a resolution to continue conducting business activity in the form of a company, whereby provisions hereof on incorporation of the given company form are applied accordingly.

If two or more entrepreneurs conduct the activity jointly as referred to in Article 83, Paragraph 2 hereof, the resolution from Paragraph 1 of this Article is adopted unanimously.

Pursuant to the resolution from Paragraph 1 of this Article, deletion of the entrepreneur from the companies register and registration of incorporation of company from Paragraph 1 of this Article which takes on all rights and obligations of the entrepreneur ensuing from business operations up to the moment of incorporation of that business company are carried out simultaneously.

Following the loss of the entrepreneurial capacity in line with Paragraph 3 of this Article, that natural person remains liable with its entire assets for all obligations occurring with regard to performing the business activity until the point of deletion of the entrepreneur from the register.

PART THREE
LEGAL FORMS OF BUSINESS COMPANIES

CHAPTER I
GENERAL PARTNERSHIP

1. Definition and incorporation

Definition and liability for obligations
Article 93

A general partnership is a company of two or more partners who have unlimited joint and several liability in the amount of their entire assets for the company’s liabilities.

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

Corporation charter
Article 94

A general partnership’s corporation charter includes in particular the following:
1) name, personal ID number and permanent residence of the partner who is a domestic natural person, or name, passport number or another identification number and permanent residence of a partner who is a foreign natural person, or business name, company number and seat of the partner who is a domestic legal entity, or the business name, registration number or another identification number and seat of a partner who is a foreign legal entity;
2) the company’s business name and seat;
3) the company’s core business activity;
4) indication of the type and value of contribution of each partner.
A corporation charter may also include other elements that are relevant to the company and partners.

Amendments to the corporation charter are made by a unanimous resolution of all the company’s partners unless the corporation charter provides otherwise.

Partnership agreement
Article 95

Notwithstanding Article 15 hereof, a partnership agreement is entered into by all the company’s partners.

2. Shares in the company and partnership shares

Contribution and share
Article 96

Partners enter into the company contributions of equal value, unless the corporation charter provides otherwise.

Notwithstanding Article 45, Paragraph 2 hereof, in kind contribution of partners may also be in work and services.

Partners acquire shares in the company that are proportional to their contributions to the company, unless the corporation charter provides otherwise.

A partner is not obliged to increase a share above an amount determined by the company’s corporation charter, unless the corporation charter provides otherwise.

A partner may reduce his/her contribution without the consent of all other partners.

3. Transfer of shares
Article 97

A share is transferred by means of a written agreement with certified signatures of the transferor and the transferee, as well as in other ways provided by law.

The signatures on the agreement from Paragraph 1 of this Article are certified in line with the law regulating the certification of signatures.

The transferee acquires a share as of the date of registration of the share transfer pursuant to the law on registration.

Transfer of shares among partners
Article 98

Transfer of shares among partners is free, unless the company corporation charter provides otherwise.

Transfer of shares to third parties
Article 99

Unless provided otherwise by the corporation charter, a partner may not do the following without the consent of other partners:
1) transfer its share to a third party, which includes entering that share as an in kind contribution into another business company;
2) pledge its share to a third party.

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

Liability in share transfer

Article 100

The share transferor and the transferee have unlimited joint and several liability for all obligations of the transferor towards the company as of the date of registration of the share transfer pursuant to the law on registration, unless all partners agree otherwise.

The company request form Paragraph 1 of this Article, becomes statute-barred within three years of the date of registration of the share transfer pursuant to the law on registration.

Management

General rule

Article 101

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

Actions that fall outside the company’s ordinary activities are not included in the authorization from Paragraph 1 of this Article and may be conducted only with the consent of all other partners, unless the corporation charter provides otherwise.

Notwithstanding Paragraph 1 of this Article, if the corporation charter or the Partnership Agreement provides that one or more partners are authorized to manage; other partners do not have the authorization to manage.

Management by several partners

Article 102

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

If the corporation charter provides that partners authorized to manage shall act jointly:
1) the taking of any action requires consent of all partners authorized to manage, unless failing to take an action due to unavailability of a partner could incur damage to the company;
2) each partner is obliged to act on instructions of each of the other partners authorized to manage.

In case from Paragraph 2, Item 2) of this Article, if a partner considers the instructions of another partner are inappropriate, he/she shall notify all partners authorized to manage thereof in order to make a joint resolution, unless the delaying of action would cause damage to the company, in which case he/she may act independently, of which he/she is obliged to promptly notify all other partners authorized to manage.

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Transfer of management authorizations
Article 103
A partner authorized to manage may authorize a third party or another partner to manage, if all the company’s partners agree.
The partner who authorizes a third party to manage is liable for such a person’s actions in managing as if he/she took such actions himself/herself.

Cancellation of the management authorisation
Article 104
A partner authorized to manage may cancel the management authorisation if there is a justified reason for it.
In case from Paragraph 1 of this Article, a partner duly informs all other partners in the company on his/her intention to cancel the authorization to manage, in order to enable other partners to take or organise taking of actions from the company’s ordinary activities.
If a partner cancels the authorisation to manage contrary to Paragraphs 1 and 2 of this Article, he/she is obliged to compensate damage caused thereby.

Revocation of management authorisation
Article 105
Authorisation to manage may be revoked by the court of jurisdiction following a legal action by the company or each of the partners if it is established that there are justified reasons which particularly include the following:
1) incapability of the partner to duly conduct the company’s affairs;
2) a serious breach of duty towards the company.

4. The partners’ rights
The right to the compensation of expenses
Article 106
A partner is entitled to be compensated by the company for all the expenses he/she had with regard to the general partnership which were necessary in view of the circumstances of the case.

Distribution of profit
Article 107
The company’s profit is distributed in equal shares among partners, unless the corporation charter provides otherwise.

The right to information
Article 108
A partner authorised to manage is obliged to:
1) notify all other partners on the company’s business operations;

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

3) hand over financial statements and other documents for inspection to all partners.

A partner is entitled to get personal information on the company’s status and business operations, as well as to access and copy, at his/her own expense, the company books and other company documentation.

Provisions hereof on claiming the right to information by a limited liability company shareholder apply accordingly to claiming the right of partners to access and copy the company books and other company documents through court.

Exception from the competition ban rule

Article 109

There shall be no breach of competition ban from Article 75 hereof if other partners were aware, on a partner’s entering into the company, that such partner had a shareholder status in a competing company or another legal relationship with a competing company and his/her accession to the company was not conditioned by the termination of the shareholder status in the competing company, or termination of another legal relationship with the competing company.

Partners’ decision-making

Article 110

Partners make their decisions unanimously, unless the corporation charter provides otherwise.

If the corporation charter provides that certain or all resolutions are to be made by a majority of votes, each partner has one vote, unless the corporation charter provides otherwise.

Adopting a resolution on issues which are outside the ordinary activities of the company, as well as a resolution on accepting a new partner into the company, requires the approval of all partners.

Section 3

5. Legal relations between the company and partners towards third parties

Representing the company

Article 111

Each partner is authorised to sole representation of the company, unless the corporation charter provides otherwise.

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

1) they may authorise one or more partners to represent the company in certain transactions or certain type of transactions; and

2) an expression of third parties’ wills made to any of the partners authorised to jointly represent the company shall be considered made to the company.

The corporation charter may provide that a partner who is authorised to represent the company may only represent the company jointly with a procurator.
In case from Paragraph 3 of this Article, if the expression of third parties’ wills was made to a procurator or partner who represents the company jointly with a procurator, it shall be considered made to the company.

Cancellation of representation authorisation
Article 112

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

In case from Paragraph 1 of this Article, the partner duly informs in writing all other company’s partners on his/her intention to cancel the representation authorisation in order to enable other partners to take over the task of representing the company.

If a partner cancels the representation authorisation contrary to Paragraphs 1 and 2 of this Article, he/she is obliged to compensate damage caused therefrom.

Revocation of the representation authorisation
Article 113

Representation authorisation may be revoked by a decision of the court of jurisdiction following a legal action from the company or each of the partners if it is established that there are justified reasons for it, which particularly include:

1) incapability of the partner to duly represent the company;
2) a serious breach of duty towards the company.

Representing the company in a dispute with a partner who is authorised to represent the company
Article 114

A partner who is authorised to represent the company may not issue a representation power of attorney, nor may he/she represent the company in a dispute in which he/she is the counterparty, and in case the company does not have another partner authorised to represent, the power of attorney is issued jointly by all other partners.

Objections and compensation
Article 115

If a company creditor demands from a partner to fulfil the company’s obligations:
1) a partner may put forward personal objections as well as objections which may be put forward by the company itself;
2) a partner may refuse the fulfilment of an obligation if a creditor may settle its claim by means of a set-off with the company.

Liability of a new partner
Article 116

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

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Provisions of the corporation charter which are contrary to Paragraph 1 of this Article do not have legal effect towards third parties.

6. Dissolution of a general partnership and partner capacity
   Article 117

A general partnership is dissolved by deletion from the register of business companies as a consequence of the following:

1) liquidation of the company due to:
   (1) expiration of the term for which it was founded;
   (2) a general partners’ resolution;
   (3) court decision;
   (4) opening of bankruptcy over the partner who is a legal entity, unless the corporation charter stipulates otherwise;
   (5) reduction of the number of partners to one, unless a new partner joins the company within three months of the date when only one partner remained in the company;
   (6) occurrence of any other reason stipulated in the corporation charter.
2) closing of a company’s bankruptcy;
3) status changes.

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

1) death of a partner;
2) deletion of a partner who is a legal entity from the competent register as a consequence of liquidation and closing of bankruptcy;
3) withdrawal of partners;
4) expulsion of partners;
5) in other cases stipulated in the corporation charter.

Court decision on the liquidation of the company
   Article 118

Pursuant to a lawsuit filed by a partner the competent court shall pass a decision on initiating liquidation proceedings over the company when there is a justified reason for it.

Justified reason as referred to in Paragraph 1 of this Article does not exist if the court finds that:
1) the partner, intentionally, or through gross negligence, was in breach of his/her obligation to the company or other partners, which affected the company’s business operations; and
2) the fulfilment of obligation from Item 1) of this Article is actually impossible; and
3) it is not possible for the company to continue its business operation otherwise, so that such business operation is in line with this law and the corporation charter.

An agreement excluding or restricting the right of partners to file a lawsuit from Paragraph 1 of this Article is null and void.

Lawsuit from Paragraph 1 of this Article is filed against the company and all the remaining partners.

Continuation of the company with heirs
   Article 119
In case of death, the partner’s share is not inherited, it is, instead, distributed proportionately to the remaining partners unless the corporation charter provides that the company shall continue its business operation with the deceased partners’ heirs.

If the corporation charter provides that the company should continue operations with the deceased partner’s heirs and the heirs do not agree with it, the partner’s share is distributed proportionately to the remaining partners.

If the corporation charter provides that the company should continue operations with the deceased person’s heirs, the heirs may agree to it by stepping into the place of the deceased partner or requesting that the partnership changes legal form into a limited partnership, and that they gain the status of a limited partner.

If the heirs request that the partnership changes legal form pursuant to Paragraph 3 of this Article and the remaining partners dismiss it, the heirs step into the place of the deceased partner and may withdraw from the company pursuant to provisions hereof on withdrawal of partners.

If the heirs withdraw from the company pursuant to Paragraph 4 of this Article, they are liable for the company’s obligations effected by that date according to regulations regulating liability of heirs for the testator’s debts.

The corporation charter may contract the amount of share in the profit for limited partners, in case of continuation of the company with heirs and the change of the legal form of the company into a limited partnership, which may be different from the amount of share in the profit which the testator had as a partner.

Expulsion of partners
Article 120

Provisions hereof on the expulsion of a limited liability company shareholder apply accordingly to the expulsion of partners.

Withdrawal of partners
Article 121

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

A written notice from Paragraph 1 of this Article is submitted at least six months before the expiry of a business year, unless the corporation charter provides otherwise.

A partner who submits a written notice on withdrawal pursuant to this Article shall withdraw from the company on the expiry of the business year in which the notice was submitted (withdrawal date).

The partner’s right, as defined above, may not be restricted or excluded.

Consequences of a partner’s withdrawal from the company
Article 122

A share of the partner who withdraws from the company is distributed, in equal shares, to other partners, unless the corporation charter provides otherwise.
The company is obliged to pay, within six months of the date of withdrawal unless a different term is provided in the company charter, to the partner withdrawing from the company in cash what such a partner would receive in case of a company liquidation on the date of withdrawal, excluding the current and uncompleted operations.

If the value of the company’s assets on the date of withdrawal is insufficient to settle the company’s liabilities, the partner withdrawing from the company is obliged to pay to the company a part of the unsettled amount, proportionally to his/her share in the company within six months, unless another term is stipulated in the corporation charter.

Joint and several liability of the partner withdrawing from the company ceases upon expiry of a period of five years of the date of withdrawal, unless a longer period is determined in the corporation charter.

Participation of the partner who withdrew from the company in unfinished transactions

**Article 123**

A partner who withdraws from the company takes part in the profit and loss from transactions which, at the time of his/her withdrawal, were not yet completed unless the corporation charter provides otherwise.

A partner who withdrew from the company may, at the end of each business year, request an account of all the transactions completed that year to be made, to be paid what belongs to him/her and to be submitted a report on the situation of transactions which have not yet been completed.

Protection of partners’ creditors

**Article 124**

A creditor who has a due claim towards a partner pursuant to a valid and effective court decision is entitled to request from the company in writing to pay to him/her in cash what such partner would receive in case of the company’s liquidation, but only up to the amount of his/her claim.

The company is obliged to promptly inform the partner from Paragraph 1 of this Article of the receipt of the request from Paragraph 1 of this Article.

As of the date of paying off of the creditor by the company pursuant to Paragraph 1 of this Article, the partner loses the capacity of a partner, while his/her share is divided in equal shares to other partners.

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

In case that, within six months of the date of submitting the request from Paragraph 1 of this Article, the company does not pay off the partner’s creditor, the partner’s creditor may request initiation of a forced liquidation of the company pursuant to Article 546 hereof.

In the liquidation procedure from Paragraph 5 of this Article, the partner’s creditor is entitled to the payment of the surplus assets that would belong to a partner, but only to the amount of his/her claim, while the partner retains the right to payment of surplus assets to the extent it exceeds the amount of that creditor’s claims.
Chapter II
LIMITED PARTNERSHIP

1. Definition and incorporation; registration of data on the company shareholders

Definition and liability
Article 125
A limited partnership is a company of at least two shareholders, of which at least one is has unlimited several liability (general partner), and at least one has limited liability up to the amount of his/her unpaid, or unentered contribution (limited partner).

Application of the limited partnership provisions
Article 126
Regulations providing for general partnership apply to limited partnership, unless provided otherwise herein.
General partners have the status of partners in a general partnership, pursuant to this law.

Corporation charter
Article 127
In addition to elements from Article 93 hereof, the limited partnership’s corporation charter must include indication as to which shareholder is a general partner and which is a limited partner.

Shareholder record
Article 128
A limited partnership is obliged to keep record of the company shareholders, applying Article 144 hereof.

2. Contribution, share and profit and loss

Contribution and share and transfer of share
Article 129
Provisions of Article 95 hereof on partners’ contributions and shares apply accordingly to the contributions and shares of the general partners in the company.
Provisions on the transfer of shares from Articles 97 through 100 hereof apply to the transfer of the general partners’ share.
A limited partner is free to transfer his/her share to another limited partner or a third party.

Profit and loss
Article 130
General partners and limited partners participate in the division of profit and covering of the company’s losses proportionately with their shares in the company unless the memorandum of association provides otherwise.

3. Managing operations and representing the company; rights of limited partners

Article 131

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

Limited partners may not manage operations or represent the company.

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

A limited partner may be awarded a procura following the resolution of all general partners.

A limited partner’s supervisory right

Article 132

A limited partner is entitled to request copies of the company’s annual financial statements for the purpose of checking their validity, as well as to be allowed access to the company’s books and documents.

If a limited partner is not enabled to exercise rights from Paragraph 1 of this Article within eight days of the date when he/she submitted an appropriate request, a limited partner may request that a court orders the company, in an out-of-court proceeding within eight days, to act as per his/her request.

A limited partner does not have the rights of partners from Article 108 hereof.

A limited partner may also have other rights with regard to access to the company documents, if this is provided in the corporation charter.

Payment of profit to the limited partner

Article 133

A share in the profit is paid to the limited partner proportionately to the amount of his/her contribution, unless the corporation charter provides otherwise, within the term provided in the constitutional charter or following the general partners’ resolution, if this term is not provided in the corporation charter.

If, pursuant to Paragraph 1 of this Article, general partners decide on the term for payment of profit, this term may not exceed 90 days counting from the date of adoption of the company’s annual financial statements.

4. A limited partner’s liability

A limited partner’s liability

Article 134
A limited partner is not liable for the company’s liabilities if he/she fully paid in the contribution undertaken in the corporation charter.

If a limited partner fails to fully pay in the contribution he/she undertook to pay in the corporation charter, he/she has joint and several liability with the general partners creditors of the company up to the amount of unpaid, or unentered contribution.

With regard to the amount of the contribution paid in, or entered into the company with regard to Paragraph 1 of this Article, the value of such contribution registered in the business companies register applies, unless the company publishes, or discloses to the creditors in an appropriate way that such contribution is higher.

The provision of the agreement between general partners, or general partners and limited partners whereby a limited partner is relieved of duty to pay his/her contribution or this duty is delayed has no effect on the company’s creditors.

Instances of limited partner having general partner liability

Article 135

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

Liability of a new limited partner

Article 136

A person who joins the company as a limited partner is liable, in line with provisions of Article 135 hereof, also for obligations which occurred up to the moment of his/her joining the company.

5. Cessation of the status of company shareholder and dissolution of the company

Cessation of general and limited partner status and change of legal form

Article 137

A limited partnership does not cease as a consequence of death of a limited partner, nor in the case of dissolution of a limited partner who is a legal entity.

In case from Paragraph 1 of this Article, limited partner’s heirs step in, in his/her place.

If all general partners withdraw from the limited partnership, and not a single new general partner is admitted within the term of six months of the date of withdrawal of the last general partner, limited partners may adopt a unanimous resolution on the change of legal form into a limited liability company or joint stock company, pursuant to this law.

In case from Paragraph 3 of this Article, if limited partners do not adopt a resolution on the change of legal form in writing and within a set term, the forced company liquidation procedure is initiated.

If all limited partners withdraw from the limited partnership, and not a single new limited partner is admitted into the limited partnership within the term of six months of the date of withdrawal of the last limited partner, general partners may adopt a unanimous resolution on the
change of legal form to general partnership, and in case there is only one general partner left, he/she may decide to become an entrepreneur, pursuant to this law.

In case from Paragraph 5 of this Article, if the general partners do not adopt a resolution from that Paragraph within the set term, a forced company liquidation procedure is initiated.

Changes made in line with this Article are registered in line with the law on registration.

Dissolution of a limited partner

Article 138

Provisions hereof on the dissolution of a general partnership apply accordingly to the dissolution of a limited partnership

III LIMITED LIABILITY COMPANY

1. Basic provisions

Definition and liability

Article 139

A limited liability company is a company in which one or more company shareholders own shares in the company’s share capital, provided that shareholders are not liable for the company’s obligations except in cases provided in Article 18 hereof.

Freedom of contracting principle

Article 140

Shareholders of a limited liability company shall freely regulate their mutual relationships in the company, as well as relations with the company, unless provided otherwise herein.

1.1 Contents and Amendments to the Memorandum of Association

Memorandum of association

Article 141

A company’s memorandum of association shall include especially the following:

1) each shareholder’s personal name and permanent residence, that is, business name and seat;
2) the company’s business name and seat;
3) the company’s core business activity;
4) total amount of the company’s share capital;
5) amount of the pecuniary contribution, or pecuniary value and description of the in kind contribution of each company shareholder;
6) time of paying in, or entering the contribution into the company’s share capital;
7) each shareholder’s share in the total share capital is expressed in percent;
8) setting up of the company bodies and their competences.
If the memorandum of association does not include provisions on competences of the company’s bodies, the company’s bodies have competences provided by this law.

Amendments to the memorandum of association

Article 142

A limited liability company’s memorandum of association is amended by a simple majority of the total number of votes of the shareholders’ meeting members, unless the memorandum of association provides a greater majority.

A resolution on the amendments to the memorandum of association which reduces the rights of a company shareholder may be adopted only with the consent of that shareholder, especially in the following cases:

1) abolishing or restricting the pre-emptive right to subscribe, or pre-emptive right to purchase shares;
2) change of majority required for decision-making at the shareholders’ meeting;
3) introduction or increase of the additional contributions obligation;
4) amendments to the rule on withdrawal and cancellation of shares;
5) amendments to the rule on expulsion of a company shareholder;
6) amendments to the rule on the appointment of director or members of the supervisory board if there is a two-tier board system, which changes the rights of a company shareholder to nominate a certain number of such persons.

1.2. Acquiring the capacity of company shareholder and data record on the company shareholders

Acquisition and dissolution of the company shareholder capacity

Article 143

Shareholder capacity is acquired on the day of registration of ownership over the share pursuant to the law on registration. As of that day, this shareholder is obliged by the company’s memorandum of association.

The company shareholder capacity dissolves on the date of registration of dissolution of company shareholder capacity pursuant to the law on registration.

Keeping record of the company shareholders

Article 144

The company is obliged to keep record of the address that each of the shareholders, each of the co-owners of share and joint attorney-in-fact of the co-owners of share determine as their mailing address for mail received from the company and of which the company notifies, provided that the company shareholder may indicate an e-mail address as his/her mailing address (record of data on the company shareholders).

Director is liable to the company and person from Paragraph 1 of this Article for accurate and due entering into the record the data on the company shareholders, and issues a certificate on the entry or status of the record at this person’s request.
Person from Paragraph 1 of this Article is obliged to promptly notify the company of his/her mailing address and of each change of such address, but no later than eight days of the change.

2. Share capital

Minimum share capital
Article 145

Company’s share capital shall amount to at least RSD 50,000, unless a special law provides a higher amount of the share capital for companies dealing in certain business activities.

Share capital increase
Article 146

The share capital is increased by:
1) new contributions of existing shareholders or shareholder joining the company;
2) converting the company reserves or profit into share capital;
3) converting claims towards the company into share capital;
4) status changes which result in increase of share capital;
5) converting additional payments into share capital.

The share capital is increased pursuant to the resolution of the company’s shareholders’ meeting.

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

Share capital decrease
Article 147

A company’s share capital may be decreased by the resolution of the company’s shareholders’ meeting, but not below the minimum share capital from Article 145 hereof.

Share capital decrease in case of loss
Article 148

If the annual financial reports imply that due to losses the company’s net assets’ value is smaller than the value of the share capital, the company is obliged to carry out the procedure of the company share capital decrease within 30 days of the date of the last day of the term for registration of annual financial reports in line with the law regulating accounting an auditing.

Provisions of Article 319 hereof on the protection of creditors do not apply to the company share capital decrease procedure pursuant to Paragraph 1.

In case from Paragraph 1 of this Article, if, following the share capital decrease it would have a lower value than the minimum share capital from Article 145 hereof, the company is obliged to simultaneously increase the share capital on another ground in order for the company capital to be at least equal to the minimum share capital.

Application of other provisions and registration

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Article 149

Provisions hereof on increase, decrease and the obligation to maintain the value of the joint-stock company’s share capital value are applied accordingly to the increase, decrease and obligation to maintain a limited liability company’s share capital.

Once a year, the company is obliged, with the registration of annual financial statements in line with the law regulating accounting and auditing, to register the amount of the share capital if a change in the share capital occurred in the past business year, in line with the law on registration.

3. Shares

3.1. Basic provisions

Legal nature of shares
Article 150

Shares are not securities.

Shares may not be acquired, nor may they be disposed of by forwarding a public bid as referred to in the law which regulates the capital market.

Acquisition of shares
Article 151

A company shareholder acquires a share in the company proportionately to the value of his/her contribution in the company’s share capital, unless the memorandum of association on the company’s incorporation or a unanimous resolution of the shareholders’ meeting provide otherwise.

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

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

Rights pursuant to shares
Article 152

A company shareholder has the following rights pursuant to his/her share:
1) voting right in the company shareholders’ meeting;
2) right to a share in the company profit;
3) right to take part in the surplus assets;
4) other rights provided by this law.

The rights of a company shareholder from Paragraph 1 of this Article are proportionate to this shareholder’s share in the company’s share capital, unless the memorandum of association provides otherwise.

Co-ownership of share
Article 153
A share may belong to several persons (share co-owners).

Share co-owners claim their voting rights pursuant to shares through one joint attorney-in-fact, of whose identity they are obliged to notify the company.

Share co-owners are considered to be one shareholder with regard to the company and have unlimited joint and several liability with regard to that share.

Legal actions and notices undertaken by the company, or referred to by the company to the joint attorney-in-fact from Paragraph 2 of this Article have effect on all share co-owners.

Until the date of delivery to the company of the notice on appointing a joint attorney-in-fact from Paragraph 2 of this Article:

1) co-owners’ share shall not be counted for the purposes of voting and establishing a quorum in the company’s shareholders’ meeting; and

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

Financial support of the company for acquisition of shares in the company

Article 154

A company may not, directly or indirectly, provide financial support of any kind to its shareholders, employees or third parties for the acquisition of shares in the company, particularly grant loans, guarantees, securities, security instruments and the like.

A legal transaction which is contrary to the provision of Paragraph 1 of this Article is null and void.

Withdrawal and cancellation of shares

Article 156

A company may withdraw and cancel a company shareholder’s share only in cases and in the way expressly provided in the memorandum of association, which was effective on the date on which the company shareholder whose share is withdrawn and cancelled acquired the share.

A company may withdraw and cancel a shareholder’s share if the condition from Paragraph 1 of this Article has not been met if the amendment to the memorandum of association for which this shareholder voted provided so.

Resolution to withdraw and cancel the company shareholder’s share is adopted by the shareholders’ meeting.

Resolution to withdraw and cancel a company shareholder’s shares comprises the following:

1) grounds for withdrawal and cancellation;

2) facts from which it follows that conditions for adopting the resolution on withdrawing and cancelling shares have been met;

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

4) effect of cancellation of share on the company’s share capital.

On withdrawing and cancelling a share, a procedure of company share capital decrease is undertaken, whereby no separate resolution adoption on the reduction of capital is required.

Ban on pledging share in favour of the company

Article 156
A company may not accept a pledged share of the company shareholder.

3.2. Company’s own shares

Acquisition of own share

Article 157

A share or part of a share which a company acquires from its shareholder is considered to be own share as referred to in this law.

The company may acquire own shares:
1) through an encumbrance-free legal transaction;
2) pursuant to expulsion of a shareholder;
3) pursuant to a shareholder’s withdrawal;
4) through buying off of a part of a company shareholder’s share;
5) through enforced buy-off of a deceased shareholder’s share, if such company right is provided in the memorandum of association;
6) pursuant to a status change, in line with this law;
7) in other cases provided herein.

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

Payment of compensation pursuant to acquisition of an own share in the case from Paragraph 2, Item 4 of this Article may be carried out by the company only from the reserves which may be used for these purposes.

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

A single shareholder company may not acquire an own share.

Acquisition of the company share by its subsidiary shall be considered to constitute acquisition of own share as referred to in this law.

A legal transaction in which the company acquires an own share contrary to provisions of this Article is null and void.

The rights of the company pursuant to own share

Article 158

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

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

Disposing of own share

Article 159

A company may do the following with an own share:
1) distribute to the company shareholders, pursuant to the shareholders’ meeting resolution;
2) transfer it to a shareholder or third party in exchange for a consideration, in which case each company shareholder has a pre-emptive right to purchase, proportionate to the amount of his/her share in the company;
3) cancel it when it is obliged to carry out a share capital decrease procedure.

Resolution on disposing with an own share is adopted by the company shareholders’ meeting by a simple majority of votes of all company shareholders, unless the memorandum of association provides otherwise.

Notwithstanding Paragraph 2 of this Article, in case from Paragraph 1 Item 1) of this Article, an own share may be distributed to company shareholders disproportionately to the share of their shares in the company’s share capital only pursuant to a unanimous resolution of the shareholders’ meeting, unless the memorandum of association provides otherwise.

If the company acquired own share contrary to the provisions hereof, it is obliged to cancel it within one year of the date of its acquisition.

3.3. Disposal of share

The basic rule
Article 160

Share transfer is free unless provided otherwise herein or in the memorandum of association.

Pre-emptive right
Article 161

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

Procedure with regard to the pre-emptive right
Article 162

Share transferor is obliged to offer his/her share to all other company shareholders before the transfer of share to a third party.

Offer from Paragraph 1 of this Article is provided in writing and includes all important elements of a share transfer agreement, address to which that company shareholder who exercises the pre-emptive right directs the offer acceptance, term for conclusion and certification of the share transfer agreement, as well as other elements provided in the memorandum of association.

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

A company shareholder who is exercising his/her pre-emptive right is obliged to inform the share transferor in writing on accepting the offer from Paragraph 1 of this Article as a whole, within 30 days of the date of receipt of the offer, unless another term, not shorter than six months, has been stipulated in the memorandum of association.

If there are several offer acceptances, in the absence of an agreement between the transferor and all other accepting parties, it shall be considered that each of the accepting parties has accepted to purchase a proportionate part of the share which is the subject of transfer which corresponds to the share of its share in the sum of all the accepting party shares.
A memorandum of association may organise the procedure with regard to pre-emptive right in another way.

**Failing to respect pre-emptive right provisions**

**Article 163**

A shareholder who has a pre-emptive right to whom the share transferor has not delivered an offer in line with Paragraph 162 hereof, or in a way provided in the memorandum of association, may take action before the court of jurisdiction demanding:

1) cancellation of the share transfer agreement; and
2) obliging the respondent company shareholder to transfer the share to the claimant, i.e. claim to have the court decision replace the share transfer agreement between the claimant and respondent company shareholder.

Action from Paragraph 1 of this Article may be taken within 30 days of the date of becoming aware of the conclusion of the share transfer agreement, but no later than six months of the date of registration of the share transfer in the business companies register.

The court may, in the proceedings following the action from Paragraph 1 of this Article, at the respondent’s request, order the claimant to lay down appropriate security for payment of the purchase price in the case of success in the litigation in the form of a court deposit, bank guarantee, etc.

If the claimant does not act on the order from the court from Paragraph 3 of this Article, the claim is dismissed.

**Transfer of shares in case of more parties accepting the offer**

**Article 164**

In case more parties are accepting the offer, of which some may subsequently refuse or fail for the reasons other than due to the fault of a transferor to proceed with the execution and verification of the share transfer agreement within the deadline set forth in the offer, a transferor may conclude the agreement on transfer of shares with the company shareholders who have joined the agreement and its certification, unless the memorandum of association provides otherwise.

If none of the accepting parties join the agreement on the transfer of share and its certification within the deadline indicated in the offer from Article 162 hereof, for reasons other than due to the fault of the transferor, the transferor may transfer its share to a third party under the terms and conditions that may not be more favourable for that party than the terms and conditions set forth in the offer from Article 162 hereof, unless the memorandum of association provides otherwise.

In the case referred to in Paragraphs 2 and 3 of this Article, the transferor may, instead of transferring the share to a third party, file an action before the competent court against one or more accepting parties, at the transferor’s discretion, requesting the court to issue its decision whereby it will:

1) determine that each defendant has acquired a proportionate part of the share that is the subject of transfer, which corresponds to the shareholding of the defendant concerned in the sum of shares of all defendants; and

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

The action from Paragraph 3 of this Article may be filed within 30 days from expiration of the deadline indicated in the offer from Article 162 hereof as the deadline for entering into and certification of the share transfer agreement.

**Transfer of shares to third parties**

**Article 165**

Unless the memorandum of association provides otherwise, if not a single company shareholder with pre-emptive rights has exercised his/her right pursuant to the provisions of this Law and memorandum of association, the transferring member-transferor may, within a further deadline of three months from expiration of the deadline set for the acceptance of the offer, enter into an agreement on share transfer with a third party under the terms and conditions that may not be more favourable for that party than the terms and conditions from the offer from Article 162 hereof.

**Exceptions in case of public sale**

**Article 166**

Unless otherwise provided for by the memorandum of association, in case the share is sold by means of public collection of bids, auction or a similar procedure (public sale), the company shareholder who wants to exercise his/her pre-emptive rights may only claim that right in that procedure.

**Transfer of shares with approval by the company**

**Article 167**

The memorandum of association may provide that the share in a company may be transferred to a person who is not a company shareholder only with prior approval of the company.

In the case from Paragraph 1 of this Article, the transferor of the share shall be under an obligation to apply to the company for an approval, except for the identity of the person to whom the share is transferred, the application shall also contain all essential elements of the agreement on transfer of shares that the member intends to enter into.

The resolution referred to in Paragraph 1 of this Article shall be adopted by the shareholders’ meeting by a simple majority of the members present, unless the memorandum of association provides a different majority.

If the company does not inform the transferor on granting approval within a period of 30 days of the date of receipt of the request for granting approval, the share transferor is authorised to transfer the share in line with the conditions from that request.

The memorandum of association may provide for the share transfer with the company’s approval in a different way.

In case of the share transfer contrary to the provisions hereof, Article 163 hereof is applied accordingly.
Company’s right to nominate share purchaser

Article 168

Instead of granting the approval from Article 167 of this Law the company has powers to appoint a third party to whom the transferor may transfer the share under the same conditions, in which case the transferor may transfer his/her share exclusively to that party and under the same terms and conditions.

The resolution referred to in Paragraph 1 of this Article is adopted by the shareholders’ meeting, pursuant to Article 167, Paragraph 3 of this Law.

If the party from Paragraph 1 of this Article nominated by the company fails to proceed with conclusion and certification of the share transfer agreement under the terms and conditions indicated in the offer from Article 167, Paragraph 2 of this Law within 15 days from the notification of the transferor of shares of any such resolution, for reasons other than due to the fault of the transferor, the transferor shall be entitled to sell the share to a third party at his/her own choice under the same terms and conditions.

If the third party nominated by the company enters into an agreement on the transfer of shares, the company shall be jointly and severally liable to the transferor for the payment of purchase price together with that party.

In case the company shall exercise the right from Paragraph 1 of this Article, if the share is to be transferred in a public sale procedure, Article 167 hereof shall apply accordingly.

In case of the share transfer contrary to the provisions hereof, Article 163 hereof is applied accordingly.

Court decision that replaces approval

Article 169

If the company notifies the share transferor that it denies the requested approval and at the same time the company fails to nominate a third party pursuant to Article 168 of this Law, the transferor may file an action before the competent court asking it to issue a decision that will replace the company’s approval.

When determining the request from Paragraph 1 of this Article the court shall in particular examine whether justified reasons existed on the part of the company to deny the requested approval, together with possible damages that may arise for the company, other shareholders or creditors of the company.

If the court makes its decision that will replace the approval of the company, the company shall be entitled to nominate the purchaser of the shares from Article 168 hereof, in which case the deadline from Article 168, Paragraph 3 hereof shall start from the effective date of the court decision.

Other restrictions to the share transfer

Article 170

The memorandum of association may provide also other types of restrictions to the share transfer.
Sale of shares in an enforcement procedure or by out-of-court settlement
Article 171
In case of sale of shares in an enforcement procedure, or by a court or an out-of-court settlement pursuant to the law governing pledges on registered movable assets:
1) the company shareholders with pre-emptive right in respect of that share shall retain that right; and
2) if the memorandum of association entitles the company to grant prior approval in respect of the transfer of shares, the company’s approval for the sale of shares is not necessary, and the company reserves the right to nominate the purchaser of the shares pursuant to Article 168 of this Law.

Transfer of shares by inheritance
Article 172
In case of death of a company shareholder, the heirs of those shareholders shall acquire his/her share pursuant to the applicable law on inheritance.
Upon request of the company or one of the heirs of the deceased company shareholder, the court with jurisdiction to carry out a probate process to handle the deceased person’s affairs may appoint a temporary representative in charge of the deceased person’s estate to exercise shareholder’s rights in the company in the name and on behalf of the heirs of the deceased company shareholder.

Enforced purchase of share from the heirs
Article 173
The memorandum of association may envisage the right of a company or one or more company shareholders to adopt a resolution, within six months of the death of a company shareholder, but not later than one year from the death date, on enforced purchase of the shares from his/her heirs.
If the right to an enforced purchase is established in favour of the company, the resolution from Paragraph 1 of this Article is adopted by the shareholders’ meeting by a simple majority of the shareholders present, when a quorum does not include the share of the deceased shareholder, unless a greater majority is provided for in the memorandum of association.
If the right to enforced sale is established in favour of one or more shareholders, the respective shareholder or shareholders shall notify the company in writing within the deadline set out in Paragraph 1 of this Article on the exercise of that right.
The company director shall promptly deliver the resolution from Paragraph 2 of this Article, or the information from Paragraph 3 of this Article to the Register of Companies for registration of the right on enforced purchase in that register.

Compensation for enforced purchase of shares
Article 174
If the memorandum of association provides for an enforced purchase of shares pursuant to Article 173 of this Law, this document shall also prescribe the method of determining the
compensation for the purchase of shares and the deadline for its payment; otherwise, this right shall be considered non-existent.

If a company or a shareholder, or shareholders decide to exercise their right on enforced purchase of shares, the heirs from Paragraph 4 of this Article shall be entitled to a compensation determined pursuant to the memorandum of association, within the deadline set forth in that document.

The company may not make its resolution from Article 173, Paragraph 1 of this Law if the payment of compensation pursuant to that resolution would be contrary to the provisions of this Law with regard to the restrictions on distributions.

Unless otherwise provided for in the memorandum of association or resolution from Article 173, Paragraph 2 of this Law, the deadline from Paragraph 1 of this Article shall start to run from the date of delivery of a valid probate resolution whereby the heirs of the deceased company shareholder in respect of his/her share are nominated.

Terms and consequences of the share transfer

Article 175

A share shall be transferred by a written agreement with duly certified signatures of the transferor and the transferee, or as otherwise provided in this Law.

A transferor shall be jointly and severally liable with a transferee for the obligations to the company on account of unpaid, i.e. unentered contribution to the company’s share capital, and for the obligation of entering additional contributions in respect of that share, according to the actual status at the moment of share transfer.

Legal transactions taken towards or by the share transferor before the registration of the share transfer in line with the law on registration with regard to that share or the relations in the company are considered to be actions taken towards, or by the share transferee, except if it is incompatible with the nature of the subject-matter action.

Division of Shares

Article 176

A share may be divided:
1) based on a share transfer agreement;
2) based on legal succession;
3) by means of an agreement on the split of shares between the co-owners;
4) in other cases, in keeping with the law.

The company’s memorandum of association may prohibit the share split, except in case of inheritance, or may permit it only in specific cases.

The provisions of this Law on disposal of the share shall apply accordingly to the disposal of a part of the share.

Pledging of shares

Article 177

A shareholder may pledge his/her share or a part of the share, unless otherwise stipulated by the memorandum of association.

If the memorandum of association provides that the transfer of shares to third parties may be made only against company’s prior approval, such approval is also required for the pledging
of the share or a part of the share, whereby it is not required to have a new approval by the company for the subsequent sale of shares in the procedure of collecting claims from the value of the pledged share.

Pledging of shares is done pursuant to the law governing registered pledges on movable assets entered in the register.

4. Additional payments and loan to the company

Basic provisions

Article 178

The memorandum of association or the resolution of the shareholders’ meeting prescribe an obligation on the part of company shareholders, in addition to the paying in of the subscribed share capital, to make additional contributions to the company in proportion to their shares in the company, unless the memorandum of association or the resolution of the shareholders’ meeting prescribe another proportion.

Additional contributions shall not increase the company’s share capital.

Additional contributions may only be pecuniary ones.

The resolution of the shareholders’ meeting to determine the obligation in respect of additional contributions shall be passed unanimously.

The memorandum of association may provide that the resolution from Paragraph 4 of this Article is to be made also by another majority, in which case that resolution is binding only for those shareholders who voted for it.

The memorandum of association or the resolution of the shareholders’ meeting may, instead of determining an exact amount of additional contributions, define a maximum amount of those contributions.

In the case from Paragraph 5 of this Article, the meeting shall resolve an exact amount of additional contributions by a simple majority of the company’s shareholders present, unless the memorandum of association provides a greater majority.

Consequences of failure to make additional payment

Article 179

A shareholder shall be liable to the company for his/her obligation to make additional contributions in the manner in the shareholder is held liable for payment of subscribed share capital.

A shareholder who has transferred his/her share before fulfilling his/her obligation to make additional contributions shall be jointly and severally liable with the transferee for the same obligation during a period of three years from the date of registration of the transfer of shares in keeping with the law on registration.

A shareholder who has paid up, or entered his/her share in full may be relieved of his/her obligation to make additional payments if within 30 days from the date of the obligation’s becoming due and payable the shareholder empowers the company to sell his/her share in a public bidding procedure, or otherwise.

Notwithstanding Paragraph 3 of this Article, if by sale of a shareholder’s share in the company pursuant to Paragraph 3 of this Article the company achieves the price that is lower
than the amount of his/her liability for additional payment after deducting the costs of sale, the shareholder shall remain obliged to the company to make payment of such outstanding amount.

If by sale of a shareholder’s share in the company pursuant to Paragraph 3 of this Article the company achieves the price that is higher than the amount of the his/her liabilities for additional payments after deducting the costs of sale, the company shall disburse the outstanding amount in favour of that company shareholder.

If a shareholder fails to empower the company to sell his/her share pursuant to Paragraph 3 of this Article, or if his/her share is not sold within two years of the date of the due date for additional payment, i.e. in another term specified in the memorandum of association or agreed with this shareholder, pursuant from the reasons other than due to the failure on the part of the company, the shareholders’ meeting may pass a resolution within a further six-month term, to expel that company shareholder from the company, without the right to compensation for his/her share, by applying Article 195 of the Law accordingly.

If the terms from Paragraph 6 of this Article have been met in relation to several company shareholders who are in delay in respect of the obligation to make additional payment, the resolution on expulsion may be passed only in respect of all those shareholders.

In case of expulsion of a shareholder pursuant to this Article, an expelled company shareholder shall remain liable to the company for additional contributions.

Returning additional contributions

Article 180

Additional contributions may be returned to company shareholders only if they are not needed to cover the company’s losses or for the settlement of the company’s creditors.

Additional contributions may not be returned to the company’s shareholder before payment, i.e. entering the total subscribed capital into the company.

The return of additional payments to shareholders is performed through appropriate application of provisions hereof on the decrease of the share capital.

In case of company bankruptcy, shareholders’ claims pursuant to additional payments are settled only after the full settlement of bankruptcy creditors with accompanying interests.

Loan and securities granted to company by company shareholders

Article 181

A shareholder or his/her affiliate may grant a loan to the company at any point, pursuant to the law.

In a bankruptcy proceeding the company shareholder, or his/her affiliate who granted a loan to the company, except for persons/entities who deal with issuing credits or loans within their regular business activity, in the part in which the loan was not secured, shall be treated as a person/entity who accepted to be the company’s subordinated creditor under the law governing bankruptcy proceedings.

A security provided by the company for the loan from Paragraph 1 of this Article at the point in which it was incapable of making payment, shall be of no effect in bankruptcy proceedings over the company within a term of one year before the opening of bankruptcy proceedings over the company.

Repayment of the loan from Paragraph 1 of this Article by the company within one year prior to the opening of bankruptcy proceedings shall be considered to constitute an action that
was taken with the intent of causing damage to creditors, within the meaning of the law on bankruptcy proceedings.

In case of successful contesting of the distribution from Paragraph 4 of this Article within the meaning of provisions of the law governing bankruptcy proceedings, the company shareholder who issued security shall be jointly and severally liable to the company for the repayment of the subject distribution up to the value of provided security at the time when the distribution to the third party was made, and if the amount of the disbursement cannot be established, up to the value of provided security at the time when the company asked the shareholder to make repayment of the distribution.

5. Distributions to company shareholders

General rule
Article 182

A company may distribute profit to its shareholders, may make repayments of additional contributions, loans and similar, and may make other payments on any grounds exclusively in keeping with its memorandum of association and provisions of this Law in respect of restrictions on distributions.

Right to receive distributable profit
Article 183

The provisions of this Law governing payments of dividends and interim dividends to shareholders are applied accordingly to profit distributions to shareholders.

The company’s memorandum of association may stipulate that distributions from profit may not be made in proportion to the shareholder’s share in the company’s share capital.

Restrictions on profit sharing
Article 184

The provisions of Article 276, Paragraphs 1 through 4 hereof governing the restrictions on payments for joint stock companies shall be applied accordingly to a limited liability company.

Director, i.e. director or member of the company’s supervisory board in case of a two-tier board system who has become aware that in the period between the end of previous business year and the date when the shareholders’ meeting issued its resolution to approve the company’s annual financial statement, the company’s financial status has considerably and not only temporarily deteriorated due to the losses or a decrease in the share capital value, shall have to notify the shareholders’ meeting accordingly, and it will be upon the shareholders’ meeting, once it has received the notification, to exclude the amount of profit corresponding to the decrease of the company’s assets from distributable profit.

If the director, i.e. member of the supervisory board fails to act in line with Paragraph 2 of this Article, he/she is liable to shareholders and creditors of the company for damage incurred due to unperformed distribution of profit.
Liability for prohibited distributions

Article 185

A shareholder who receives distributions from the company which are contrary to the provisions of Article 182 of this Law, shall be subject to unlimited joint and several liability to the company for the return of those distributions, and the company may not relieve him/her of any such liability.

Notwithstanding Paragraph 1 hereof, the return of distributions by a conscientious shareholder may only be requested if it is necessary for meeting the claims of the company’s creditors.

Other shareholders who approved those distributions by voting at the shareholders’ meeting, and directors, that is, supervisory board members, in case of a two-tier board system, who approved those distributions, and who knew or, as appropriate, might have known that those distributions were in contravention with the provisions of this Law on restricted disbursement, shall have joint, several and unlimited liability for the return of those distributions and the company may not relieve them of that liability.

In addition to the persons/entities from Paragraph 2 of this Article, other directors, i.e. members of the supervisory board, and company shareholders, for whom it is proven that they have deliberately or through gross negligence contributed to the company’s making such prohibited distribution, shall be subject to unlimited joint and several liability.

The time period for the claims by the company from the persons/entities from this Article shall expire within five years from the date of the distribution made.

Notwithstanding Paragraph 5 of this Article, the time period for the claims of the company from the shareholder who received the distribution shall expire within 10 years if the company proves that the shareholder knew or must have known that he/she received a prohibited distribution.

7. Termination of shareholder’s membership

Reasons for termination of shareholder’s membership

Article 186

A shareholder’s membership shall terminate upon:
1) death, if a shareholder is a natural person, by striking off from a respective register, if a shareholder is a legal entity;
2) withdrawal from the company;
3) expulsion from the company;
4) transfer of the entire share;
5) withdrawal and cancellation of the entire share.

7.1. Shareholder’s withdrawal

Withdrawal of shareholder without claiming compensation for the share
Article 187

A shareholder may withdraw from a company at any time without indicating the reasons therefor, unless the shareholder demands compensation for his/her share.

Notwithstanding Paragraph 1 of this Article, a shareholder may not withdraw from a company:
1) if he/she has unsettled liabilities towards the company on account of unpaid or unsubscribed contribution, or on account of additional contributions; or
2) if, as a consequence of such withdrawal, the company will suffer damage according to the regular course of affairs; or
3) if a withdrawing shareholder would thus avoid to apply the rules on special duties to the company.

Withdrawal of shareholder for justified reasons

Article 188

A shareholder may withdraw from the company for justified reasons.
A justified reason for the shareholder’s withdrawal shall exist in particular:
1) if one or more remaining shareholders or the company are inflicting damages upon a withdrawing member by their actions or failures to act, or if it is obvious that any such damage, according to a normal course of events, shall ensue;
2) if a shareholder is considerably prevented from exercising his/her rights in the company;
3) if the company is imposing unreasonable obligations on a shareholder.

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

The memorandum of association may not exclude in advance the right of the shareholder to request withdrawal from the company for a justified reason, nor may a shareholder waive that right in advance.

Withdrawal procedure

Article 189

A shareholder wishing to withdraw from the company pursuant to Article 188 of this Law shall deliver a written request to the company, which will be resolved by the shareholders’ meeting.

The request from Paragraph 1 of this Article shall contain in particular:
1) reasons for withdrawal;
2) the amount requested from the company as a compensation for the share; and
3) a deadline for the payment of any such compensation, unless the deadline is specified in the memorandum of association.

The shareholders’ meeting shall have to decide on the request from Paragraph 1 of this Article within 60 days from the date of receipt and to notify the withdrawing shareholder within the same deadline, as otherwise it shall be considered that the request was approved in full.

The shareholders’ meeting may only approve or reject the request from Paragraph 1 of this Article in full.
The resolution from Paragraph 3 of this Article shall be adopted by a majority vote of the shareholders present, unless the memorandum of association provides a greater majority.

The share of the withdrawing shareholder shall become the company’s own share.

The shareholder’s withdrawal and the acquisition of the own share shall be registered in line with the law on registration.

Pledge as security for payment of compensation
Article 190

A shareholder may also, as a part of the request for withdrawal for justified reasons, request the company to provide security for the payment of compensation for his/her share by establishing a pledge on the own share that will be acquired by the company if it accepts the shareholder’s request to withdraw from the company, pursuant to the law governing pledges on registered movable assets.

The shareholder from Paragraph 1 of this Article shall deliver a draft of the share pledge agreement the conclusion of which is proposed to the company, attached to the withdrawal request.

In the case from Paragraph 1 of this Article, the shareholders’ meeting may approve the withdrawal request only if it approves at the same time the conclusion of the proposed share pledge agreement in favour of the withdrawing shareholder or, with the approval of the withdrawing member, to provide for other appropriate security.

Payment of compensation
Article 191

The company may pay compensation for the withdrawing shareholder’s share only from:
1) the reserves of the company that may be used for such purposes;
2) receipts from the sale of the company’s own share acquired by withdrawal of the respective company shareholder.

Until full payment of compensation for the withdrawing shareholder’s share, the company may not distribute profit earned to its shareholders, and is obliged to:
1) distribute all earned profit into reserves from Paragraph 1, Item 1) of this Article; and
2) use all company assets from Paragraph 1 of this Article exclusively for payment of that compensation.

Withdrawal for justified reasons by court decision
Article 192

When the shareholders’ meeting denies the request for withdrawal from Article 189 hereof, or fails to decide on the matter within 60 days from the day of receipt of the request, a shareholder may take action before a competent court against the company requesting dissolution of his/her shareholder capacity due to existence of justified reasons, and payment of compensation for his/her share.

By a court decision determining dissolution of shareholder capacity in the company, the court shall also determine:
1) that the share of the withdrawing shareholder shall become the company’s own share;
2) the amount of compensation that the company shall have to pay to the withdrawing shareholder;

3) deadline for payment of the compensation from item 2) of this Paragraph;

4) establishing of a pledge in favour of the company’s withdrawing shareholder on the company’s own share from item 1) of this Paragraph, if the plaintiff so requested and if the court finds it necessary and justifiable for the purpose of securing the payment of compensation from item 2) of this Paragraph.

The compensation from Paragraph 2 of this Article shall be determined by the court according to the market value of the withdrawing shareholder’s share on the date the action was filed, but not less than the proportional share of value of net assets of the company which corresponds to that share’s share in the share capital as of the date of launching the action, unless the memorandum of association prescribes some other method of determining the compensation.

The deadline from Paragraph 2 of this Article shall be set by the court taking into account the company’s financial standing and expected earnings in the company’s ordinary course of business; the deadline may not be longer than two years months unless any other longer deadline, but in no case longer than five years, is provided in the memorandum of association.

When the decision on withdrawal from the company becomes effective and valid, the competent court shall submit the decision to the Companies Register for registration of dissolution the shareholder capacity and registration of the company’s own share.

The shareholder capacity of the withdrawing shareholder shall be dissolved on the date of registration of dissolution of shareholder capacity pursuant to Paragraph 5 of this Article.

The action from Paragraph 1 of this Article may be filed within six months from the date the reason for withdrawal is established, and not later than three years from the occurrence of the reason for withdrawal.

Payment of compensation determined by court and compensation of damages

Article 193

The provisions of Article 191 hereof shall apply to the payment of compensation determined by the court pursuant to Article 192, Paragraph 2 hereof.

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

If the company fails to pay the awarded compensation to the withdrawing company shareholder within the deadline set out in the court decision, the shareholder who withdrew from the company may apply for enforced sale of only the own share that the company acquired from such shareholder and other shareholders are liable for the payment of awarded compensation in proportion to their shares in the company’s share capital.

Obligations of the shareholder to pay in or enter share

Article 194

A shareholder who withdrew from the company remains liable to pay in or enter the subscribed contribution and make additional payments he/she was obliged to make if that is necessary for the settlement of the company creditors.
7.2. Expulsion of shareholder

Expulsion of shareholder by resolution of the meeting

Article 195

In the case from Article 48, Paragraph 6 hereof, the meeting shall resolve on expulsion of the company shareholder by a two-third majority vote of the remaining company shareholders unless the company’s memorandum of association requires a different majority.

The resolution from Paragraph 1 of this Article may be passed only with respect to all shareholders of the company who have not fulfilled their obligation from Article 46, Paragraph 1 hereof, even within the subsequently provided deadline from Article 48 hereof.

By expulsion of a shareholder, the share of the concerned shareholder shall become the company’s own share, and the shareholder so expelled shall not be entitled to compensation for his/her share.

The resolution from Paragraph 1 of this Article represents grounds for striking off of the expelled shareholder from the Companies Register.

The expelled shareholders remain under an obligation to pay-up, i.e. to contribute the subscribed contribution, and to make additional contributions to which he/she was liable, if these are necessary for settlement of claims of the company’s creditors.

A former owner of the share of the expelled shareholder shall be liable to the company for fulfilment of the obligation from Paragraph 5 of this Article, within the meaning of Article 175, Paragraph 2 hereof.

The company reserves the right to claim damages from the expelled shareholder by bringing charges against him/her before a competent court.

Expulsion of shareholder by court decision

Article 196

A company may request expulsion of a shareholder by filing an action before the competent court, for the reasons prescribed by the memorandum of association or for any other justified reasons, and in particular if the shareholder:

1) deliberately, or by gross negligence inflicts damage to the company;
2) violates special duties towards the company prescribed by this Law or the memorandum of association;
3) by his/her actions or failures to act, contrary to the memorandum of association, law or good business practices, obstructs or significantly hinders the company’s business.

A resolution to file claim from Paragraph 1 of this Article is passed by the shareholders’ meeting, by a majority vote of the shareholders present, unless the memorandum of association stipulates a greater majority.
On request by the company, the court may determine temporary suspension of voting rights in respect of the shareholder whose expulsion is requested, and of other rights of that company shareholder, or an interim measure of receivership, if the court finds it necessary and justifiable to prevent damages that the company may sustain.

The memorandum of association may not exclude in advance the company’s right to file claim for expulsion of a shareholder pursuant to this Article, nor the entitlement of the expelled shareholder to the compensation of his/her share value.

The action/claim for expulsion of a shareholder may be filed within six months from the date the reason for expulsion was established, but not later than three years from the occurrence of the reason for expulsion.

By expulsion of a shareholder, the share of that shareholder shall become the company’s own share.

The expelled shareholder remains obliged to pay in or enter the subscribed share and make additional payments which he/she was obliged to make, if it is necessary to settle the company creditors.

Compensation for share in case of expulsion by court decision
Article 197

An expelled shareholder may request to be compensated for the value of his/her share by filing a lawsuit against the company before a competent court.

The lawsuit from Paragraph 1 of this Article may be filed within six months from the date the court decision on expulsion of the company shareholder became valid and effective.

Unless the memorandum of association provides otherwise, the court shall determine the compensation from Paragraph 1 of this Article in the value of the company’s liquidation surplus assets which the expelled shareholder would be entitled to in proportion to his/her share in the company’s share capital, on the date the court decision on expulsion of the shareholder from the company become valid and effective, to which amount an interest is calculated at the National Bank of Serbia discount rate increased by 2%, starting from the effective court decision on expulsion.

When determining the compensation from Paragraph 1 of this Article, the court shall also determine the deadline for payment of the compensation, taking into account the company’s financial standing and expected earnings in the company’s ordinary course of business; the deadline may not be longer than 2 years unless any other longer deadline, but in no case longer than five years, is provided in the memorandum of association.

The provisions of Article 193 hereof shall apply to the payment of compensation determined by the court in line with this Article.

If the company fails to pay to the expelled shareholder the awarded compensation within the deadline set out in the court decision, the shareholder who was expelled form the company may apply for enforced sale of only the own share that the company acquired from him/her.

If the proceeds from the sale of the own share in an enforcement procedure are not sufficient for payment of claims of the shareholder who was expelled under the awarded claim, the outstanding part of that claim shall extinguish.

The company shall be entitled to claim damages from the expelled shareholder.
8. Management of the company

Company bodies

Article 198

Management of the company may be organized as two-tier and one-tier board system. In case of a one-tier board system, the company bodies shall comprise:
1) Shareholders’ meeting;
2) one or more directors.

In case of a two-tier board system, the company bodies shall comprise:
1) shareholders’ meeting;
2) supervisory board;
3) one or more directors.

In a single-member company the role of the shareholders’ meeting is discharged by the company's sole shareholder.

In case from Paragraph 4 of this Article, when the sole shareholder is a legal entity, the memorandum of association may determine the authority of that shareholder who performs the function of the shareholders’ meeting on behalf of that shareholder, and, in the absence of such a provision, it is considered that it is the registered representative of that shareholder.

A memorandum of association determines whether the company shall be managed through a two-tier or one-tier board system.

8.1. Shareholders’ meeting

8.1.1. Makeup and competences

Makeup

Article 199

A shareholders’ meeting comprises all company shareholders.

Every shareholder of a company shall have a right to vote in proportion to his/her shareholding in the company's share capital, unless the memorandum of association provides otherwise.

Competences of the shareholders’ meeting

Article 200

Unless otherwise provided for in the memorandum of association, the shareholders’ meeting is empowered to:
1) amend the memorandum of association;
2) approve financial statements and approve auditor’s reports, if financial statements were subject to auditing;
3) supervise the work of directors and approve directors’ reports, if the company has a one-tier board system;
4) approve the supervisory board’s reports in case of a two-tier board system;
5) decide on the increase and decrease the company’s share capital, and on every issue of securities;
6) decide on profit distribution, and on the method of covering of losses, and determine the date as of which shareholders have acquired the right to a share in profits and the date of payment thereof;
7) appoint and recall a director and determines his/her remuneration, i.e. the principles for establishing that remuneration in case of a one-tier board system;
8) appoint and recall members of the supervisory board and determine the remuneration for their work, if the company has a two-tier board system;
9) appoint an auditor and determine his/her remuneration;
10) decide on opening of liquidation proceedings as well as on filing proposals for opening of bankruptcy proceedings by the company;
11) appoint a liquidator and approve liquidation balance sheets and reports of the liquidator;
12) decide on acquisition of own shares;
13) decide on obligations of company shareholders to make additional contributions and on return of those contributions;
14) decide on a shareholder’s withdrawal request;
15) decide on exclusion of a company shareholder because of his/her default to make payment, i.e. default to contribute subscribed shares;
16) decide to initiate a procedure for expulsion of a company shareholder;
17) decide on withdrawal and cancelling of shareholdings;
18) grant procura;
19) decide on bringing action against and granting powers of attorney to represent the company in its disputes with a procurator, as well as in a dispute with the company director, in case of a one-tier board system, that is, with supervisory board members, if the company has a two-tier board system;
20) decide on taking action against and granting powers of attorney to represent the company in its dispute with a company shareholder;
21) approve agreement on admission of a new shareholder and approve transfer of shares to third parties in the case from Article 167 of this Law;
22) decide on changes of the status, that is, legal form of the company;
23) approve legal transactions in which a personal interest is involved, in keeping with Article 66 of this Law;
24) approve acquisition, sale, lease, pledge or other disposal of high value assets of the company, in keeping with Article 470 of this Law;
25) adopt its rules of procedure;
26) transact other business and decide on other matters in keeping with this Law and the memorandum of association.
8.1.2. Shareholders’ meetings

Types and holding of meetings

Article 202

Sessions of the shareholders’ meetings shall be ordinary and extraordinary.
The provisions of Article 364 of this Law governing ordinary sessions of a joint stock company stockholders’ meeting shall apply to ordinary shareholders’ meetings.
The provisions of Article 371 of this Law governing extraordinary sessions of a joint stock stockholders’ meeting shall apply to extraordinary shareholders’ meetings.

Convening the meeting

Article 203

A shareholders’ meeting shall be convened by:
1) director, in case of a one-tier board system.
2) supervisory board, if the company has a two-tier board system.
The memorandum of association may provide that a company shareholder or another person may also convene the meeting.
The shareholders’ meeting has to be convened if so requested in writing by company shareholders holding or representing at least 20% of the voting rights, unless the memorandum of association provides for the same right even for the shareholders who jointly hold or represent a smaller percentage of the voting rights.
If the director fails to convene the meeting within three days from the date the request from Paragraph 3 of this Article was received, so that the date of the meeting will fall not later than 15 days from the receipt of the request, the applicants may convene the meeting themselves within a further period of eight days.

Place of meetings

Article 203

The provisions of Article 332 hereof in respect of the place of holding meetings of stockholders of a joint stock company shall apply to the place of holding shareholders’ meetings, unless otherwise specified in the memorandum of association.

Notice and agenda

Article 204

A shareholders’ meeting shall be convened by delivering a written notice of the meeting to every company shareholder to an address recorded with a company pursuant to Article 144 hereof, unless a different invitation method is specified in the memorandum of association or if the shareholder has consented thereto in writing.
The notice shall be delivered to every member not later than eight days prior to the meeting, unless the memorandum of association provides a different term. The notice shall contain in particular:

1) date of sending the notice;
2) time and place of the meeting;
3) proposed agenda for the meeting, with clear indication of the items on the agenda that have to be resolved by the meeting,
4) documents for the session.

The provisions of Articles 367 and 374 hereof on documents for an ordinary and extraordinary meeting of stockholders of a joint stock company shall also apply to the documents for ordinary and extraordinary shareholders’ meetings of a limited liability company.

A meeting may discuss and decide on the items on the agenda, and also on other matters only if the meeting is attended by all shareholders, and none has expressed disagreement therewith, unless otherwise provided in the memorandum of association.

Right to supplement the agenda
Article 206

One or more company shareholders holding or representing at least 10% of the share in the company’s share capital may supplement the agenda by a written notice delivered to the company, unless the memorandum of association bestowed this right also on shareholders who hold or represent a smaller rate of share in the company’s share capital.

The shareholders from Paragraph 1 of this Article may deliver the notice from Paragraph 1 of this Article directly also to the other company shareholders at the addresses recorded with the company pursuant to Article 144 hereof.

The notice from Paragraph 1 of this Article may be delivered not later than three days from the date scheduled for the meeting, unless otherwise stipulated in the memorandum of association.

The notice from Paragraph 1 of this Article has to be delivered by director to other company shareholders on the day following the date of receipt at the latest.

A shareholder who did not attend the shareholders’ meeting may contest the resolution’s meeting adopted on the items on the agenda from Paragraph 1 of this Article if he/she had not received the notice from Paragraphs 2 or 4 of this Article up to the date of holding the meeting session, in line with provisions hereof on contesting the meeting resolutions.

Actions without a meeting
Article 206

A meeting may be held even if not formally convened if attended by all company shareholders, unless otherwise provided in the memorandum of association.

Voting by proxy
Article 207

A company shareholder may appoint, by a power of attorney in writing, a specific person to participate on his/her behalf in the work of a meeting, and even to vote for and on behalf of the shareholder (a proxy).

The proxy from Paragraph 1 of this Article may by any person capable of doing business.
The memorandum of association may stipulate that the proxy has to be certified pursuant to the law governing certification of signatures.

The shareholder may not issue a proxy for voting by restricting it to a part of its share based on his/her share.

The proxy shall be governed by the provisions of Article 344, Paragraphs 2 through 5 and Paragraph 12, and Paragraphs 15 through 19 of this Law in respect of the proxy for voting of a joint stock company.

**Quorum**

**Article 208**

A quorum of a meeting shall be a simple majority of the total number of shareholders’ votes, unless the company’s memorandum of association provides for a larger number of votes.

If a meeting is not held for a lack of quorum, a meeting is reconvened with the same agenda not earlier than 10 days and not later than 30 days from the date of the first meeting (reconvened meeting).

A quorum for the reconvened meeting shall be one third of the total number of shareholders’ votes, unless the company’s memorandum of association provides for a larger number of votes.

**Procedure at meetings**

**Article 209**

A shareholders’ meeting may adopt its rules of procedure to lay down in detail the method of transacting business and decision making pursuant to this Law and the memorandum of association.

The meeting shall be chaired by the meeting’s chairperson.

The provisions of article 333, Paragraphs 1 through 3 hereof in respect of a chairperson of a joint stockholders’ meeting shall apply accordingly to the election and work of the chairperson of the meeting.

**Minutes of the meeting**

**Article 210**

Every resolution of the shareholders’ meeting shall be entered in the minutes of the meeting kept by the meeting chairperson, that is, a keeper of the minutes, if the keeper of the minutes is appointed by the chairperson.

The minutes of the meeting shall contain:

1) place and date of the meeting;
2) name of minutes-taker;
3) summarized report on each item of the agenda;
4) result of voting for each transacted item on the agenda of the meeting, with the indication of the method of voting by each shareholder present at the meeting.
5) other elements, in line with the memorandum of association.

The list of shareholders present at the meeting shall make an integral part of the Minutes.

Minutes are signed by Chairperson of the meeting, minutes taker, if appointed, and all persons who took part in the work of the meeting, unless otherwise stipulated by the company’s memorandum of association, or the rules of procedure of the meeting.
If a person who participated in the work of the meeting refuses to sign the minutes, the minutes taker shall record any such refusal in the minutes and indicate the reasons for such refusal.

Failure to comply with provisions of this Article shall not affect the validity of the resolutions adopted at the meeting, if the voting results and contents of those resolutions may be determined otherwise.

Majority required for deciding
Article 211

The shareholders’ meeting passes resolutions by a simple majority of present shareholders entitled to vote on a specific issue, unless the law or a memorandum of association provides for a higher number of votes.

A meeting decides by a two-third majority of the total number of votes of all company shareholders on:
1) increase or decrease of the share capital;
2) status changes and changes of legal form;
3) adopting a resolution on liquidation of a company or filing for bankruptcy;
4) profit distribution;
5) acquisition of company’s own shares;

The shareholders’ meeting shall decide by unanimous consent on the obligation of shareholders to make additional contributions, and on retribution of additional contributions.

The company’s memorandum of association may provide for any other majority for adopting resolutions from Paragraphs 2 and 3 of this Article, but it may not be lower than a simple majority of the total number of votes of shareholders entitled to vote on a certain item.

Conference call meetings, vote in writing and deciding without meeting
Article 212

Shareholders’ meetings may be held by a conference call or by using any other audio and visual conference equipment so that all persons participating in the work of a meeting may communicate among themselves at a meeting.

All the persons thus participating in the work of a meeting are considered as attending the meeting in person.

A shareholder may also vote in writing, if so provided for by the memorandum of association or by the rules of procedure of the meeting, in which case this shareholder is considered present at the session for the purpose of calculating the quorum.

Every resolution may be passed without a meeting if it is signed by all shareholders of a company entitled to vote thereon.

Forms of voting
Article 213

Voting at a meeting shall be by an open ballot.

Excluding right to vote
Article 214

A company shareholder may not vote at a meeting when the meeting decides on:
1) relieving of the concerned shareholder from obligations towards the company, or on decrease of those obligations;
2) expulsion or withdrawal of a shareholder from the company;
3) initiating or withdrawing from a lawsuit against the concerned shareholder and engaging attorneys to represent the company in these cases;
4) approval of transactions between the shareholder and the company pursuant to Article 66 of this Law;
5) in other cases prescribed by the law and by the company’s memorandum of association.

The shareholder may not vote at the meeting even if it decides on matters at issue from Paragraph 1, items 1), 3) and 4) of this Article, if these resolutions refer to persons affiliated with the respective shareholder within the meaning of Article 62 hereof.

The votes of the shareholders whose voting rights are excluded shall not be taken into account in determining a quorum for deciding on the matters from Paragraphs 1 and 2 of this Article.

Other persons attending meetings
Article 215

Directors and supervisory board members, if the company has a two-tier board system, shall have to attend shareholders’ meetings, if they are timely invited by the meeting chairperson, or any other company shareholder, or if so provided in the company’s memorandum of association.

8.1.3. Adopting financial statements

Application of other provisions
Article 216

Provisions of Article 370 hereof governing the consequences of approval or non-approval of financial statements of a joint stock company shall be applied accordingly to the consequences of approval or non-approval of annual financial statements.

8.1.4. Contesting of the meeting resolutions

Applicability of other articles
Article 218

The provisions of Article 376 through 381 hereof on contesting resolutions of the stockholders’ meeting shall be applied accordingly on contesting of resolutions of the shareholders’ meeting.

8.2. Directors
Number of directors
Article 218

A company may have one or more directors as legal representatives of the company.
The number of directors is determined by a memorandum of association or by a resolution of the shareholders’ meeting.

If the memorandum of association or the resolution of the shareholders’ meeting does not determine the number of directors, a company shall have one director.

The director is registered in line with the law on registration.

Appointment of directors
Article 219
A director is appointed by the shareholders’ meeting, that is, supervisory board, if the company has a two-tier board system.

When incorporating a company, a director may be nominated by a memorandum of association.

Unless otherwise specified in the resolution on appointment, the term of office of the director starts on the date of adoption of the appointment resolution.

Unless otherwise specified in the memorandum of association or in the resolution of the shareholders’ meeting, the term of office of a director shall be considered as unlimited.

A memorandum of association or resolution of the shareholders’ meeting may determine conditions that a person has to meet to be appointed as a director.

Recall and resignation of directors
Article 220
The shareholders’ meeting, i.e. supervisory board if the company has a two-tier board system, shall recall a director, and in doing so shall be under no obligation to indicate the reasons for recall unless it has been expressly stipulated by a memorandum of association or by a resolution of the shareholders’ meeting.

Provisions of Article 395 hereof on the resignation of the joint-stock company director are applied accordingly to the resignation of the director of a limited liability company.

Powers of representation
Article 221
A director shall represent the company before third parties, pursuant to the memorandum of association, resolutions of the shareholders’ meeting and instructions of the supervisory board, if the company has a two-tier board system.

If the company has more than one director, all directors shall jointly represent the company, unless otherwise provided for by the memorandum of association or the resolution of the shareholders’ meeting.

Independently of the method of representation from Paragraph 2 of this Article, an expression of will given to one director shall be considered as it was properly given to the company.

If a company is left without any director, until appointment of a director, the expressions of will given to any member of the supervisory board, if any, or to any company shareholder if the company has no supervisory board, shall be binding on the company.

The company shall acquire rights and assume obligations out of transactions concluded on behalf of the company by a director irrespective of whether the transaction was explicitly
concluded of behalf of the company or the outcome, under the circumstances, was that the will of participants in a legal transaction was to have that legal transactions concluded on behalf of the company.

Representation of company in disputes with directors

Article 222

A director may not issue a power of attorney to be represented nor represent the company himself/herself in a dispute to which he/she is counterparty.

In the case from Paragraph 1 of this Article, the power of attorney is issued by the shareholders’ meeting.

Incomplete number of directors

Article 223

If a number of directors who represent a company individually falls below the number set forth by the memorandum of association or the resolution of the shareholders’ meeting, the remaining directors shall continue to represent the company within the scope of their powers.

If a number of directors with powers to represent a company jointly falls below the number set forth by a memorandum of association or resolution of the shareholders’ meeting, the remaining directors shall promptly notify the meeting and supervisory board, if the management system of the company has a two-tier board system.

In case from Paragraph 2 of this Article, the shareholders’ meeting, that is, the supervisory board, in case of a two-tier board system, shall appoint missing directors, and until such appointment the remaining directors may attend only urgent matters, unless provided otherwise by the memorandum of association or the resolution of the shareholders’ meeting.

Management of company’s business

Article 224

A director manages the company business in keeping with the memorandum of association, resolutions of the shareholders’ meeting, and instructions of the supervisory board, if the company has a two-tier board system.

If a company has more than one director, all directors shall manage the company’s business jointly, unless provided otherwise by the memorandum of association or the resolution of the shareholders’ meeting.

If the memorandum of association or the resolution of the shareholders’ meeting provides that in managing the company’s business each director shall act independently, a director may not undertake a contemplated business if any of the remaining directors has objections thereto, in which case the director is empowered to ask for instructions of the shareholders’ meeting, that is, the supervisory board, if the company has a two-tier board system.

In a company with one-tier board system, company directors shall discharge all duties not falling under the competence of the shareholders’ meeting.

In a company with a two-tier board system, company directors shall discharge all duties not falling under the competence of the shareholders’ meeting and of the supervisory board.

C'MŚ́ Reich-Rohrwig Hasche Sigle
Responsibility for company’s books, financials statements and keeping records of the meeting resolutions

Article 225
A director shall be responsible for proper keeping of the company's books.
A director shall be responsible for accuracy of the company's financial statements.
A director shall keep records of all adopted resolutions of the shareholders’ meeting, which will be made available to each shareholder of the company during the company’s working hours.

Reporting requirement

Article 226
The provisions of Article 398 of this Law shall be applied accordingly to the obligation of the director to report to the supervisory board, that is, the shareholders’ meeting.
The director shall promptly notify the supervisory board, that is, each company shareholder with at least 10% shareholding in the share capital on extraordinary circumstances that may be of importance for the status or business operations of the company.

Directors’ remuneration

Article 227
The provisions of Article 393, Paragraphs 1 through 3 hereof governing the remunerations of directors of joint stock companies shall be applied accordingly to the directors’ remunerations.

8.3. Supervisory board

Competences and composition of the supervisory board

Article 228
In case of a two-tier board system, a company shall also have a supervisory board.
The provisions of Articles 432 and 433 hereof in respect of the question who can be a supervisory board member and in respect of the composition of the supervisory board of a joint stock company shall apply accordingly in respect of the question who can be a supervisory board member and in respect of the composition of the supervisory board.

Appointment of supervisory board members, duration of term of office and relations with the company

Article 229
A supervisory board member shall meet all conditions as prescribed by this Law for a joint stock company director, and shall not be employed by the company.
Supervisory board president and members shall be appointed by the shareholders’ meeting.

Notwithstanding Paragraph 2 of this Article, at incorporation of a company the first president and members of the supervisory board shall be nominated by the memorandum of association.

The provisions of this Law relating to the supervisory board members of a joint stock company shall be applied accordingly to all other matters regarding the appointment, duration of the term of office of the supervisory board and its relations with the company.

President and members of the supervisory board are registered in line with the law on registration.

Remunerations of supervisory board members
Article 230

The provisions of Article 438 hereof relating to the remunerations of supervisory board members of a joint stock company shall be applied accordingly to the matters regarding the remunerations of supervisory board members.

Recall and resignation of supervisory board members
Article 231

The provisions of Article 439 and 440 hereof relating to the recall and resignation of supervisory board members of a joint stock company shall be applied accordingly to the recall of supervisory board members by the shareholders’ meeting and resignation of supervisory board members.

Competences of supervisory board
Article 232

Supervisory board shall discharge the following duties:
1) determine the company’s business strategy
2) appoint and recall a director and determines his/her remuneration, that is, the principles for establishing that remuneration;
3) oversee the work of a director and approves the director’s reports;
4) perform internal control of the company’s operations;
5) supervise the legality of the company’s business operation;
6) establish accounting policies of the company and a risk management policy;
7) give instructions to an auditor to examine the company’s annual financial statements;
8) give proposals to the shareholders’ meeting on appointment of auditor and remuneration for his/her work;
9) oversee proposed profit distribution and other distributions to company shareholders;
10) decide on taking actions and issuing powers of attorney to represent the company in a dispute with the director;
11) carry out other duties as set forth in the memorandum of association and the resolution of the shareholders’ meeting.

Unless otherwise stipulated by the memorandum of association or the resolution of the shareholders’ meeting, the supervisory board shall issue approvals prior to execution of the
following transactions:

1) acquisition, disposal and pledging of shares and stocks that a company has in other legal entities;
2) acquisition, disposal and pledging of real estate, unless these transactions fall under an ordinary business of a company;
3) taking of credits, that is, taking and granting loans, creating pledges, issuing guarantees and securities to secure liabilities of third parties.

The supervisory boards decides on approval in cases giving rise to the conflict of interest of directors, in keeping with Article 66 hereof.

Submission of annual report on the company’s operations

Article 233

Unless otherwise provided in the memorandum of association, the supervisory board shall provide the shareholders’ meeting, once a year, with a written report on the company’s business performance and on the supervision of the work of directors it has carried out.

The provisions of Article 442 hereof relating to the supervisory board of a joint stock company shall be applied accordingly to the matters relating to the submission of the company’s business reports and of consolidated annual statement.

Method of work and sessions of the supervisory board

Article 234

Provisions of Articles 444 and 445 hereof which relate to the supervisory board of a joint-stock company apply accordingly to the method of work of the supervisory board, convening sessions, attending sessions, deciding and record of operation of the supervisory board.

Liability of supervisory board members

Article 235

The provisions of Articles 447 hereof relating to supervisory board of a joint stock company shall be applied accordingly to all the matters relating to the duties and obligations of the supervisory board members.

Special and extraordinary audit on demand of shareholders

Article 236

The provisions hereof governing special and extraordinary audits carried out on request of shareholders of a joint stock company shall be applied accordingly to all matters relating to special and extraordinary audits on demand of shareholders, unless the memorandum of association provides otherwise.

C‘M’S’ Reich-Rohrwig Hasche Sigle
9. Internal operations control

Application of other articles

Article 237

A limited liability company may organise the method of carrying out and organising the work of the internal operations control, through appropriate application of provisions on internal control of business operations in joint stock companies.

10. Dissolution of company

Method of dissolution

Article 238

A company shall dissolve by its striking off from the Companies Register, based on:
1) liquidation or forced liquidation that was carried out pursuant to this Law;
2) bankruptcy procedure carried out pursuant to the law governing bankruptcy procedures;
3) status changes resulting in dissolution of the company.

Dissolution on request of a shareholder

Article 239

The provisions of Article 468 hereof governing dissolution of a joint stock company and other measures determined by the court on request of minority stockholders shall apply accordingly to the dissolution of a company and other measures on request of a company stockholder.

10. Company bylaws and documents

Maintaining and keeping

Article 240

The company shall keep the following bylaws and documents:
1) memorandum of association;
2) resolution on registration of the company’s incorporation;
3) company’s bylaws;
4) minutes from the shareholders’ meetings and resolutions of the shareholders’ meeting;
5) document on incorporation of each branch office or any other company’s organizational unit;
6) documents evidencing ownership and other property rights of the company;
7) minutes from the meetings of the company’s board of directors and supervisory board in case of a two-tier board system;
8) reports of the director and of the supervisory board, if the company has a two-tier board system;
9) records with addresses of directors and members of supervisory board;
10) records with addresses of company shareholders;
11) agreements between directors, supervisory board members, in case of a two-tier board system, and company shareholders or persons affiliated to them within the meaning of this Law, and the company.

The company shall keep documents and bylaws from Paragraph 1 of this Law at its seat or at any other place that is known to all company shareholders.

The bylaws and documents from Paragraph 1, items 1) through 7) and 11) of this Article shall be permanently kept by the company, while other documents and bylaws from Paragraph 1 of this Article shall be kept for at least five years; upon expiration of this period, they will be kept pursuant to the regulations governing the archives.

Access to company bylaws and documents

Article 241

The director shall have to make available those documents and bylaws from Article 240 of this Law, the company’s financial statements and other documents regarding the company’s business or claiming of rights of company shareholders to each company shareholder, and to a former company shareholder, for the period he/she was the company’s shareholder, on his/her written request, for inspection and copying, at the shareholder’s expense, during working hours.

Right to information

Article 242

Each director shall promptly notify each shareholder on the relevant facts regarding the company’s business or in connection with the exercise of rights by company shareholders.

Each shareholder shall promptly notify the director as soon as the information from Paragraph 1 of this Article comes to his/her knowledge.

The persons from Paragraphs 1 and 2 of this Article shall be liable to the company or company shareholders for the damage which may arise due to failure to act pursuant to the provisions of Paragraphs 1 and 2 of this Article.

Each shareholder is entitled to be provided by the director, on his/her written demand and at his/her expense and without delay, and not later than within eight days from the date of receipt of the request, with a copy of each resolution passed by the shareholders’ meeting.

Denial of access to company’s bylaws and documents and denial of information

Article 243

The director may deny the right from Article 241 and 242 hereof to a shareholder if:

1) there is a justified concern that the right could be used for the purposes that are contrary to the interests of a company, or for purposes that are not related to his/her membership in the company;

2) if the exercise of any such right may inflict considerable damage to the company or its affiliated company.

Access to bylaws and documents by court decision
Article 244

If the director fails to act on the request from Article 241 hereof within five days from the date of receipt of the request, the applicant may request the competent court to issue an order in an out of court proceeding within eight days and order the company to act on the shareholder’s request.

IV JOINT STOCK COMPANY

1. Basic provisions

Definition and liability

Article 245

A joint stock company within the meaning of this Law is a company organized by one or more legal entities and natural persons, as stockholders of the company, to conduct specific business under a common business name, and whose share capital is defined and divided into stocks.

A joint stock company is held liable for all of its obligations with all of its assets.

Shareholders of a joint stock company are not held liable for the obligations of the company, except as provided for in Article 18 hereof.

Minimum share capital

Article 246

A joint stock company shall maintain a minimum share capital in the amount of RSD 3,000,000.00, unless a higher amount is prescribed by a special law.

Articles of association

Article 247

A joint stock company has articles of association which define managing of the company and other matters of importance for its business. The articles of association are in writing and contain in particular:

1) business name and seat of a company;
2) core business activity;
3) particulars on the amounts of subscribed and paid up or contributed share, and particulars on the number and total nominal value of authorised stocks, if any;
4) essential elements of each type and class of issued stocks pursuant to the law governing the capital market, and in the case of stocks without nominal value also the amount of share capital for which they were issued, or accounting value, including possible liabilities, restrictions and privileges attached to each class of stocks;
5) types and classes of stocks and other securities that the company is authorised to issue;
6) special conditions governing transfer of stocks, if any;
7) procedure for convening and conduct of stockholders’ meetings;
8) determination of company bodies and their competences, the number of their members, closer definition of the method of appointment and recall of these members, and methods of deciding of those bodies;
9) other matters as prescribed by this or a special law to be included in the articles of association of a joint stock company.

The company shall amend its articles of association at least once a year to bring the data from Paragraph 1, items 3) and 4) hereof in compliance, if those data were changed in the preceding year.

Passing of articles of association and their amendments
Article 248

The articles of association, and amendments and modifications of the articles of association, shall be adopted at the shareholders’ meeting by the majority of the stockholders with voting right present, unless the articles of association provides a greater majority.

The articles of association, their amendments and modifications shall become valid and effective on the eighth day from the date of publication on the web site of the companies register or as otherwise provided for by the articles of association, unless a longer period is provided in the articles of association, or its amendments and modifications.

Notwithstanding Paragraph 3 of this Article, the articles of association and its amendments may become effective even before the expiry of the deadline from Paragraph 3 of this Article if particularly justified reasons are established on their adoption.

The first articles of association are adopted by the stockholders as founders of a company, and in addition to the elements from Article 247 the first articles may contain a provision whereby directors or members of supervisory board are appointed.

The company is obliged to publish its articles of association, as well as its amendments on its web site, if any.

The articles of association and its amendments are registered pursuant to the law on registration.

2. Stocks and other securities

General rules
Article 249

The stocks issued by accompany are issued in their dematerialised form and read in the name of a stockholder, and the provisions of the law regulating the capital market are also applied to the registration in the Central Securities, Depositary and Clearing House (hereinafter: Central Registry), of the stock issue, legal holders, transfer of stocks, transfer of rights deriving from stocks, restriction of rights deriving from stocks and entry of third party stock rights.

A stock is indivisible.

The articles of association of a joint stock company define the types and classes of stocks, and the types and essential elements of other securities that the company may issue.
A resolution on the issue of stocks, or other securities has to contain all their essential elements pursuant to the regulations governing the operation of the capital market.

Issuing of stocks and other securities by public offering is done pursuant to this law and the law governing the capital market.

**Single register of stockholders**

Article 250

A stockholder in relation to a joint stock company and third parties is a person who is entered in the Central Registry as a legal holder of a stock. The date of entering in the Central Registry shall be the date of acquiring the stock.

Acting on request by a stockholder but not later than on the day following the date of filling the request pursuant to the rules of procedure of the Central Registry, Central Registry shall issue a certificate of his/her legal holding of stocks, with all data about the stocks that are kept on register by the Central Registry.

Issuing of the statements evidencing the holding of stocks shall be governed by the regulations governing the operation of the capital market.

**Types and classes of stocks**

Article 251

A joint stock company may issue common and preferred stocks (types of stocks).

Within the same type of stocks, the stocks carrying the same rights shall make one class of stocks.

All common stocks shall always make one class of stocks.

All stocks of the same class shall have the same nominal value (par value).

Notwithstanding the Paragraph 4 of this Article, common stocks may not have par values.

**Common stocks**

Article 252

A common stock entitles its holder to:

1) participate and vote at a shareholders’ meeting, and one stock shall always constitute one vote;
2) a dividend;
3) participate in distribution of liquidation surplus assets or bankruptcy estate, pursuant to the law governing bankruptcy procedures;
4) pre-emption rights to acquire stocks and other financial instruments which are exchangeable for stocks out of new issues;
5) other rights pursuant to this Law.

Common stocks may not be converted into preference stocks or other financial instruments.

**Partly paid-up stocks**

Article 253

Partly paid-up stocks as referred to herein shall be the stocks which are not paid in full, or based on which a stockholder has not made full contribution to the company’s capital.
A stockholder shall exercise his/her voting rights for partly paid-up stocks in proportion to the paid-up or contributed stock, unless the articles of association provide otherwise.

A stockholder of partly paid-up stocks of a public joint-stock company shall not, prior to making any payment or contribution with respect to his/her stocks:
1) transfer or otherwise dispose of those stocks; and
2) exercise his/her voting rights attached to those stocks.

Preferred stocks

Article 254

A preferred stock is a stock that entitles its holder to one or more preferred rights, defined by the articles of association and resolution on issuing of stocks, such as:

1) payment of dividend in a predetermined cash amount or percentage of its par value, which is made in priority to other holders of common stocks;
2) right to have an unpaid dividend from item 1) of this Paragraph accumulated and paid before any dividends are paid to other holders of common stocks (cumulative preferred stock);
3) right to participate in a dividend attached to the holders of common stock in all cases of payments of dividends to the holders of common stock or upon fulfilling specific conditions (participative preferred stock);
4) priority in receiving payments from the liquidation or bankruptcy estate to the holders of common stocks;
5) right to convert preferred stock into common stock or other class of preferred stock (convertible preferred stocks);
6) right to sell preferred stocks to the joint stock company at a preset price or under other conditions.

Total par value of issued and authorised may not exceed 50% of the total company’s share capital.

Preferred stockholders are entitled to participate in the work of the stockholders’ meetings, but have no right to vote, unless otherwise provided by this Law.

A stockholder with preferential shares has a pre-emptive right to acquire shares of the same class from new issues.

Preferred stockholders enjoy the same rights as common stockholder in terms of access to the bylaws and documents of the company from Article 465 and 466 hereof.

Preferred stocks with the right of redemption by the company

Article 255

A shareholders’ meeting resolution on issuing preferred stocks may provide that the company has an obligation, and/or, right to their redemption under the terms provided therein, if the issue of such stocks and term and the method of carrying out their redemption have been established in the company’s articles of association.

The company may redeem the stocks from Paragraph 1 of this Article under the following terms:
1) That the stocks have been fully paid in;
2) That the payment of the price for the stocks is carried out exclusively from the reserves set up for these purposes;
3) That the condition from Article 283, Paragraph 2 Item 2) hereof has been met.
The company redeems stocks from Paragraph 1 of this Article at their market value established in line with Article 260 hereof.

Voting rights of preferred stockholders

**Article 256**

Preferred stockholders are entitled to one vote per stock at any stockholders’ meeting within their class of stocks on the following issues:

1) increase or decrease of the total number of authorised stock of that class;
2) change of any priority right carried by the stock of that class;
3) determination of the right of holders of any other securities to carry out the exchange or conversion of their securities to the stocks of that class;
4) split and merger of the stocks of that class or their for the stocks of some other class;
5) new issue of the same class of preferred stocks, or new issue of stocks carrying equal or more rights than are the rights carried by the stocks of that class, or change of rights carried by another class of stocks to carry identical or more rights than are the rights carried by the stocks of that class;
6) restriction or exclusion of the existing pre-emption right to subscribe stocks of that class;
7) restriction or exclusion of the existing voting right of that class of the stocks if that right is provided for in the articles of association pursuant to this Paragraph 2 of this Article.

The articles of association of a joint stock company may determine that the stockholders with preferred stocks which are convertible into common stocks shall be entitled to vote together with the common stockholders on all or on specific issues, when their number of votes may be identical to the number of votes carried by common stocks into which they can be converted.

The articles of association of a joint stock company may determine that shareholders with preferred stocks have a voting right together with stockholders with common stocks if the dividend which belongs to them according to the shareholders’ meeting has not been paid to them, until the payment of that dividend, proportionately to the share these preferred stocks have in the company’s share capital.

Co-ownership of stocks

**Article 257**

A stock may have more than one holder (hereinafter: co-owners of stocks).

Co-ownership of stocks may be created:

1) based on law (inheritance, property gained in marriage, and similar);
2) based on agreement (gift, purchase/sale of indivisible co-ownership of a stock, and similar);
3) as a result of status changes of a company.

Co-owners of a stock shall be one stockholder in the company and shall be jointly and severally liable to the company for the obligations relating to the share.

Co-owners shall exercise voting rights and are entitled to an access to the bylaws and documents of a company from Article 464 hereof only by a joint representative agreed upon by all co-owners.
The signatures of co-owners on the agreement from Paragraph 4 of this Article shall be certified in keeping with the law governing verification of signatures.

Co-owners shall notify the company on nomination of the representative and enter his/her name in the Central Registry.

Legal actions taken against the joint representative shall produce the same effect as if they have been taken against all co-owners.

By the date of registration of joint representative in the Central Registry:
1) legal actions taken against one co-owner shall produce the same effect as if they were taken against all co-owners;
2) a stock that is co-owned shall not carry any voting rights and shall not be taken into account for a quorum for holding the stockholders’ meeting.

Split and merger of stocks
Article 258

A joint stock company may, by the resolution of its meeting:
1) split each stock of one class to two or more stocks of the same class and at the same time decrease their par values so that the company’s share capital shall remain unchanged; except in the case from Paragraph 3 of this Article;
2) merge two or more stocks of the same class into one stock of that class and at the same time increase its par value so that the company’s capital shall remain unchanged, except in the case from Paragraph 3 of this Article.

The company shall simultaneously amend its articles of association to reflect any such splitting or merger.

If a merger or split of stocks to individual stockholders result in there being fractional stock, those stockholders are entitled to request the company in writing within 30 days from the date of passing the resolution from Paragraph 1 of this Article to let them purchase the missing fraction of a stock to enable them to have one whole stock or to be paid by the company for the remaining fractional stock.

When a stockholder requested to purchase the missing fractional stock in order to have a whole stock, the stockholder shall have to pay to the company within the period of time from Paragraph 3 of this Article at the market value of the missing fractional share.

If a stockholder requested to be paid by the company for the remaining fractional share, the company shall pay for the fractional stock within a further period of 30 days from the day of receipt of the request, at its market value.

The market value from Paragraphs 4 and 5 of this Article shall be established pursuant to the provisions of Article 260, Paragraphs 1 and 2, item 1) hereof.

If, in case from Article 3 of this Article, the increase or the decrease in the share capital occurs which does not exceed 1% of the share capital, the company is not obliged to apply the provisions hereof on the increase, that is, decrease of the share capital, except for provisions on the registration of such changes in line with the law on registration.

If a company issues financial instruments that are convertible to common stocks, in the case from Paragraph 1 of this Article the company shall have to pass a resolution at the same
time, or to take some other action which will secure that the rights of holders of those financial instruments shall remain unchanged.

If a company fails to act pursuant to Paragraph 8 of this Article, each holder of a financial instrument may file a claim to the competent court requesting it to rescind the resolution from Paragraph 1 of this Article.

The claim from Paragraph 9 of this Article may be filed within 30 days from the date of passing of the resolution from Paragraph 1 of this Article.

The provisions of this article shall also apply accordingly to the stocks without par value.

Par value of stocks
Article 259

Par value of a stock is the value determined as such by a resolution for issue of stocks. All stocks of the same class shall have the same par value. Par value of one stock may not be lower than RSD 100. Par value of preferred stocks may not be lower than par value of common stocks.

Determination of market value of stocks
Article 260

Market value of stocks of a public joint-stock company is determined as a weighted average price achieved on a regulated capital market within the period of six months preceding the date of passing a resolution to determine the market value of stocks, provided that in the same period the recorded trading volume in stocks of that class on the capital market accounted for at least 0.5% of the total number of issued stocks of that class, and that for at least three months of the stated period the recorded trading volume amounted to at least 0.05% of the total number of issued stocks of that class on the monthly level.

The market value of stocks is determined by an assessment in keeping with Article 57 of this Law:

1) if the condition in terms of the volume of trading from Paragraph 1 of this Article is not fulfilled; or
2) if so resolved by the stockholders’ meeting, based on a well-formed proposal of the board of directors, or supervisory board, if the company has a two-tier board system; or
3) in case of issue of a new class of stocks.

The assessment of value from Paragraph 2 of this Article shall be valid for three months starting from the assessment date, and in case when the assessment is used for the needs of payment of dissenting stockholders, or for the needs of enforced redemption in line with this law, this assessment must be valid as of the date of adoption of the relevant stockholders’ meeting resolution.

Market value of the stocks of a company that is not a public joint stock company shall be determined pursuant to Paragraphs 2 and 3 of this Article.

Issue price of stocks
Article 261

Issue price is the value at which stocks are issued and is determined by a resolution to have stocks issued.
The resolution from Paragraph 1 of this Article is passed by the stockholders’ meeting, except in the case of issuing authorised stocks pursuant to Article 313 hereof, in which case the resolution is adopted by the board of directors, i.e. the supervisory board, in case of a two-tier company management.

If the resolution from Paragraph 1 of this Article is passed by the stockholders’ meeting, the resolution may determine the range of the issue price and authorise the board of directors, or supervisory board, if the company has a two-tier board system, to determine the issue price within that range by a special resolution.

The issue price may not be lower than the market value determined pursuant to Article 260 hereof.

The issue price may not be lower than the par value of the stock, or accounting value for the stocks without par value.

When the issue price at which the stocks are issued is higher than the par value or accounting value, the difference between the two values represents an issue premium.

A company may, by a resolution to issue stocks, determine an original issue discount provided that the discounted price may not be lower than the stock’s par value, i.e. stock’s accounting value for stocks without par value:

1) in a public bid, to an investment company offering sponsorship services in the public bid procedure with the obligation of repurchase;

2) in a bid that is not a public bid, to existing stockholders in order for them to be able to exercise the pre-emption right of stock subscription from Article 278 hereof, unless the articles of association excludes the possibility of exercising this right under preferential conditions, whereby this discount may exceed 10% of the issue price.

Paragraph 4 of this Article shall not be applied in the case when the stocks are issued in the public bid procedure within the meaning of the law governing capital market, which turns a joint stock company into a public joint-stock company.

Transfer of stocks and rights from stocks

Article 262

Stocks are freely transferable, unless the company’s articles of association put restriction on the transfer of stocks by the pre-emptive right of other stockholders or by prior approval by the company.

Transfer of stocks in companies which are not public joint-stock companies is carried out through an agreement which is concluded in writing and certified in line with the law stipulating signature certification.

Transfer of stocks in public joint-stock companies is carried out in line with the law which regulates the capital market.

The rights to which the stockholder is entitled through stocks of a certain class (hereinafter: the rights from stocks), except for the voting right may be freely transferred.

Articles of association or resolution to issue stocks may restrict or abolish the transfer of rights from stocks.

Transfer of stocks and rights from stocks of a public joint-stock company may not be restricted.
The provisions of this Law governing restrictions on the transfer of stocks in a limited liability company shall apply accordingly to the transfer of stocks from Paragraph 1 of this Article.

Convertible bonds and warrants
Article 263

A convertible bond is a bond that entitles its holder, under the conditions set forth by the resolution on issuance, to convert it into a common company stock.

A warrant, within the meaning of this Law, is a security that entitles its holder to acquire a certain number of stocks of a specific type and class at a determined price on a specific day or within a specific period.

Convertible bonds and warrants that entitle their holders to acquire common stocks may not be issued if a number of the common stocks to which they entitle together with the total number of common stocks to which already issued convertible bonds and warrants entitle exceed the total number of authorised common stocks.

Notwithstanding Paragraph 3 of this Article, convertible bonds and warrants may be issued even if a number of the common stocks to which they entitle together with the total number of authorised common stocks, if the shareholders’ meeting passes its resolution on conditional increase of share capital reflecting that difference.

The provisions of Paragraphs 3 and 4 of this Article shall apply accordingly to the warrants that carry the right of purchase of preferred stocks.

A resolution on issuance of convertible bonds and warrants is passed by the stockholders’ meeting.

Convertible bonds and warrants may be subscribed only by means of cash contributions.

Stockholders holding common stocks have pre-emptive right to subscribe convertible bonds.

A pre-emptive right to subscribe warrants is on the side of the stockholders holding a class of stocks to the acquisition of which these warrants entitle.

The provisions of Article 278 hereof governing pre-emptive rights of subscription of stocks shall apply accordingly to the pre-emptive rights of subscription of convertible bonds and warrants.

Issue price of convertible bonds and warrants
Article 264

Issue price of convertible bonds and warrants is a value at which convertible bonds and warrants are issued and is determined by a resolution on their issuance.

The resolution from Paragraph 1 of this Article is passed by the shareholders’ meeting, and this resolution may determine the range of issue price and authorise the board of directors, or supervisory board in case of a two-tier board system to determine issue price within that range by a special resolution.

The issue price of convertible bonds may not be lower than:
1) the par value of stocks for which they can be exchanged, i.e. in case of stocks without par value, their accounting value;
2) the market value of stocks for which they can be exchanged which is determined in keeping with Article 260 hereof.

3. Incorporation of Company

Memorandum of association and first articles of association
Article 265
Stockholders incorporating a company shall sign a memorandum of association of a company.
Signatures on the memorandum of association shall be certified pursuant to the law governing certification of signatures.
Stockholders incorporating a company shall also sign the first company’s articles of association.

Contents of memorandum of association
Article 266
Memorandum of association shall contain:
1) name, personal ID number and place of residence of a stockholder, who is a local natural person, or name, passport number or any other identification number and residence of a stockholder who is a foreign natural person, or business name, company number and seat of a stockholder who is a local legal entity, or business name, registration number or other identification number and seat of a stockholder who is a foreign legal entity;
2) business name and seat of a company;
3) core activity of a company;
4) the amount of cash contribution, that is, the pecuniary amount and description of non-pecuniary contribution of each stockholder incorporating the company, term of payment or entering the contribution;
5) particulars about the stocks subscribed by each stockholder who is incorporating the company, and in particular: number of stocks, their type and class, their par value, or the number of stocks without par value, the amount of share capital covering issued stocks;
6) statement of incorporating stockholders confirming that they are incorporating the company and taking upon themselves the obligation to pay, that is enter contributions on account of subscribed stocks.

Payments and contributions
Article 267
The subscribed stocks that are in compliance with the memorandum of association are paid in cash prior to the registration of the company’s incorporation in favour of a suspense account opened with a business bank in the Republic of Serbia.
Prior to the registration of the company, the stockholders incorporating the company shall pay, that is, enter at least 25% of the share capital, provided that the paid pecuniary amount of the
share capital shall not be lower than the minimum share capital from Article 246, Paragraph 1 of this Law.

Incorporating expenses and special benefits
Article 268

The first articles of association may provide that the company shall bear the actual expenses incurred in incorporating the company, or that the stockholders incorporating the company shall be entitled to the compensation for those expenses from the company, in which case the first articles of association shall determine the highest amount of those expenses.

The company shall not compensate any amount of expenses from Paragraph 1 of this Article if the compensation of the expenses is not stipulated in the first articles of association.

If special benefits are granted to the stockholders incorporating a company, or to third parties who participated in the incorporation of the company or in obtaining necessary approvals for doing business, the first articles of association shall indicate the type of the benefits, the period for which they are granted and the persons/parties receiving the benefits.

Special benefits may be abolished by the amendments to the articles of association that shall terminate such benefits.

Contracts with stockholders upon registration of company
Article 269

If a public joint stock company with stockholders who incorporated the company within a period of two years from the registration of the company’s incorporation enters into an agreement based on which the company may acquire certain assets or rights at a price that is equal or higher than 10% of the share capital:

1) the value of these assets and rights has to be assessed pursuant to Articles 51 through 58 of this Law; and

2) the contract shall be subject to approval by the company’s meeting, by a three-quarter majority vote of the stockholders present, unless greater majority is provided in the articles of association.

The contract from Paragraph 1 of this Article shall not become effective unless the approval from Paragraph 1, item 2) of this Law is obtained in advance, and all legal actions taken by the company in the performance of the contract shall be without any legal effect until the approval is obtained.

The contract from Paragraph 1 shall be concluded in writing.

The provisions of this article shall not apply to:

1) agreements entered into in the normal course of business of the company;

2) acquisition of assets or rights within the scope of an administrative or court proceedings;

3) transactions on the capital market within the meaning of the law governing the capital market.

4. Relationship between company and stockholders

Principle of equal treatment of stockholders
Article 270
All stockholders shall be treated equally under the same circumstances.

Profit distribution

Article 271

Upon approval of financial statements for a business year, the profit for that year shall be distributed in the following sequence:

1) to cover losses brought forward from previous years;
2) reserves, if they are prescribed by a special law (statutory reserves);

If upon distribution of profits for the purpose from Paragraph 1 of this Article a part of the profit remains undistributed, the company’s meeting may allot it to:

1) reserves, if the company stipulated them in the articles of association (statutory reserves);
2) dividends, pursuant to this Law.

Right to dividend

Article 272

Payment of dividends to stockholders may be authorised by a resolution on distribution of profit passed at an ordinary stockholders’ meeting; the resolution shall determine the amount of dividend (resolution on payment of dividend).

Upon passing the resolution on payment of dividend, a stockholder who is entitled to any such dividend shall become the company’s creditor for the amount of the dividend.

The company shall notify the stockholders entitled to the payment of dividend about its resolution to pay dividends within 15 days from the resolution date, by applying accordingly the provisions of this law on notifying the stockholders about the stockholders’ meeting.

Dividends on stocks shall be paid to stockholders pursuant to the rights attached to the type and class of the stock held on the dividend date, in proportion to the number of stocks held, out of the total number of stocks of that class.

An agreement or a company bylaw by which the company grants special benefits to some stockholders within the same class is null and void.

Method of payment of dividend

Article 273

A dividend may be paid in cash or in stocks, pursuant to the resolution on payment of dividend.

If dividends are paid in the form of stocks of the issuing company:

1) any such payments shall be approved by stockholders of a class of stocks to which such payment is made under the rules on voting of stockholders within a class of stocks; and
2) payments to each stockholder of a class of stocks who is entitled to dividend are made in the form of stocks of that class;
Notwithstanding Paragraph 2, item 2) of this Article, dividend may be paid in the form of stocks of some other type or class only if any such payment is approved by a three-quarter majority of the present stockholders of a class of stocks to which any such payment is made, and to an identical number of the stockholders of a class of stocks to which dividend is paid, pursuant to the rules on voting of stockholders within a class of stocks.

A company is under an obligation to notify the stockholders entitled to dividend about such payment directly prior to or upon effected payment, by applying accordingly the provisions of this law on notifying the stockholders about the stockholders’ meeting.

Provisional dividend (interim dividend)

Article 274

Unless otherwise provided for in the articles of association, a company may make payments of provisional dividends (interim dividend) at any time between ordinary stockholders’ meetings, if:

1) the reports on the company’s business and its financial results produced for that purpose clearly indicate that the company has made gain in the period for which dividend is paid, and that available cash assets of the company are sufficient for payment of any such interim dividends; and

2) the amount of interim dividend paid is not higher than the total gain realised in the last business year for which financial reports were made, increased for retained earnings and the amounts of reserves that may be used for that purpose, and decreased for reported losses and the amount that has to be contributed to reserves, pursuant to the law or company’s articles of association.

Payments of interim dividend to stockholders may also be authorised by a resolution of the board of directors, or supervisory board, if the company has a two-tier board system, if so provided in the articles of association or resolution of the stockholders’ meeting.

If payments of interim dividend are authorised by the resolution of the board of directors, or supervisory board, if the company has a two-tier board system, an interim dividend may be paid in cash, only.

Dividend date

Article 275

The articles of association may determine a date or method of fixing a date of making a list of stockholders who are entitled to a dividend, or to a payment on account of reduction of capital or distribution of liquidation surplus assets (dividend date).

If the articles of association do not determine the dividend date, that date shall be determined by a resolution on payment of dividend, pursuant to the method for its determination, if it is provided in the articles of association.

In the case from Paragraph 2 of this Article, a public joint stock company may not define as dividend date any earlier date than the record date determined pursuant to Article 331 of this law.

If the company’s articles of association do not determine dividend date for payment of interim dividend, the dividend date is determined by the resolution from Article 274 of this Law whereby the payment of dividend is approved.
A stockholder transferring his/her stocks based on which he/she acquired his/her right to a dividend after the dividend date, and prior to the payment of dividend, shall retain that right.

Restrictions on distributions to stockholders

Article 276

A company may not make distributions to its stockholders if, according to the latest financial statements, the company’s net assets are lower or would be lower than the amount of paid up share capital increased for the reserves that the company has to maintain pursuant to the law or articles of association, if any such reserves are in existence, except in the case of reduction of share capital.

Total amounts of the distributions made to stockholders for a business year may not be higher than the amount of profit at the end of that business year increased for retained earnings from previous years and the amounts of reserves provided for distributions to stockholders, and decreased for the losses brought forward from previous years and the amounts of reserves that the company has to maintain pursuant to the law or articles of association, if any such reserves are in existence.

Notwithstanding Paragraphs 1 and 2 of this Article, the company may always make payments to its stockholder who is a natural person based on a service agreement.

The stockholders who received payments contrary to the provisions of this Article shall make a return of the same amount to the company, in case they knew or must have known that those disbursements were made contrary to the provisions of this Article.

The company’s claim from Paragraph 5 of this Article shall expire within five years from the date of the disbursement made.

A stockholder who fulfils the conditions from Article 79 of this Law or a creditor of the company may file a derivative claim due to breaches of the provisions of Paragraph 5 of this Article in his/her own name and for the account of the company.

Loan and securities granted to company by company stockholder

Article 277

The provisions of Article 181 of this Law on the loan and securities granted and issued to the limited liability company by a company shareholder shall apply accordingly to the loan and issuing securities in favour of the company by stockholders.

Pre-emption right to subscribe

Article 278

A person who is a stockholder on the date of passing a resolution on issue of stocks is entitled to a pre-emptive right to subscribe for the stocks from a new issue of the type and class of the stocks he/she holds in proportion to their par value, or accounting value for the stocks without par value, of fully paid stocks he/she holds on that date.

A stockholder is entitled to the right from Paragraph 1 of this Article even in case of issue of securities that entitle to acquisition of the type and class that a stockholder already holds.

The articles of association may determine that a stockholder is entitled to a pre-emptive right to subscribe even with the issues of stocks of the types and classes other than those he/she holds only upon execution of this right by those stockholders holding the type and class of stocks issued.
The procedure of exercising pre-emptive rights is determined by the articles of association, when a company is obliged to:

1) notify each stockholder with a pre-emptive right about the resolution to issue stocks, or other securities;
2) secure that the term for exercise of this right is not shorter than 30 days from the date of sending the notification from item 1) above.

The notification from Paragraph 4, item 1) of this Article shall be delivered, by applying accordingly the provisions of Article 335 of this law on sending notifications of the meeting, and shall contain: the number of stocks to be issued, issue price, deadline and method of exercise of pre-emptive rights.

The provisions of this Article shall not apply to the issue of new stocks when the stocks are issued in the procedure of a status change of a company.

Exclusion of pre-emptive rights to subscribe
Article 279

In the case of an offer that is not a public offer within the meaning of the law governing capital markets, the pre-emption right from Article 278 of this Law may be limited or excluded only by a resolution of the meeting that is passed on a written proposal of the board of directors, or supervisory board, if the company has a two-tier board system; that will specify:

1) reasons for the restriction, or exclusion of the pre-emption right to subscription; and
2) detailed explanation in respect of a proposed issue price.

The resolution from Paragraph 1 of this Article shall be passed by a three-quarter majority of the stockholders present and shall be registered in keeping with the law on registration.

If the issue price is determined by assessment pursuant to Article 260, Paragraph 2 of this law, a stockholder who believes that the assessment is not appropriate may on the same grounds contest the resolution from Paragraph 1 of this Article pursuant to Article 376 of this Law.

The resolution from Paragraph 1 of this Article may not be implemented prior to the expiration of the deadline for contesting of the said resolution pursuant to Article 376 of this Law.

If a board of directors, or supervisory board, if the company has a two-tier board system, has powers to issue authorised stocks, the pre-emptive right to subscribe may be limited or terminated only based on a resolution of a three-quarter majority of the stockholders present.

The provisions of this Article shall not apply to the issue of new stocks when these stocks are issued in the procedure of a status change of a company.

Financial support for acquisition of stocks
Article 280

The provisions of Article 154 of this Law on financial support of a limited liability company to acquire shares in the company shall apply accordingly to the financial support of a joint stock company to acquire stocks in the company.

Expulsion of stockholder for non-payment or failure to enter contribution
Article 281
The provisions of Article 195 of this Law on expulsion of a limited liability company shareholder shall apply accordingly to the expulsion of a stockholder because of his/her failure to make payment or to make contribution

5. Own stocks

Ban on subscription of company stocks
Article 282

A company may not subscribe the stocks it has issued.
The stocks of a company may not be subscribed by its controlled company, nor a third party acting in its own name, and for the account of the controlled company.

If a third party subscribes the company stocks in its name and for the account of the company, it shall be considered that the party subscribed the stocks for its own account.

The stockholders incorporating a company, and in case of increase of the company’s share capital the members of the board of directors, or executive and supervisory board, if the company has a two-tier board system, shall be liable for the payments or contributions for the stocks subscribed in contravention to Paragraphs 1 and 2 of this Article.

An agreement entered into between the company and parties from Paragraph 3 of this Article on compensation or indemnity for the case from Paragraph 3 of this Article shall be null and void.

The parties from Paragraph 3 of this Article may be relieved of responsibility if they prove that they did not know nor could have known that there was a breach of provisions 1 and 2 of this Article.

Own stocks and terms of acquisition
Article 283

Own stocks within the meaning of this Law are the stocks the company acquired from its stockholders.

The company may acquire own stocks directly or through a third party that acquires the stocks in its name and for the account of the company under the following conditions:
1) the company’s meeting has resolved to grant approval for the acquisition of own stocks;
2) as a result of acquisition of own stocks net assets of the company shall not be lower than the paid up share capital increased for the reserves that the company has to maintain pursuant to the law and articles of association, if there are any such reserves, other than the reserves earmarked by the articles of association for acquisition of own stocks;
3) the stocks acquired by the company are fully paid;
4) total par value, or accounting value for the stocks without par value of so acquired stocks, including previously acquired own stocks, does not exceed 10% of the company’s share capital.

The resolution from Paragraph 2, item 1) of this Article shall contain the conditions in respect of acquisition and disposal of these stocks, and in particular:
1) maximum number of own stocks to be acquired;
2) time period during which the company may acquire own stocks, which may not be longer than two years;
3) minimum and maximum prices for the acquisition of own stocks;
4) method of disposal and the price at which acquired own stocks are to be sold, or the method of establishing that price, if own stocks are sold against payment.

Exceptionally, the company may acquire own stocks even without the resolution from Paragraph 2, item 1) of this Article, and based on the resolution of the board of directors, or supervisory board, if the company has a two-tier board system:

1) in the case of a public joint stock company, if it is necessary to prevent greater and direct damage to the company, in which case the board of directors, or supervisory board if the company has a two-tier board system, is obliged to notify stockholders at the first forthcoming meeting about the reasons for and methods of acquiring own stocks, their number and total par value, or total accounting value in the case of stocks without par value, their share in the company’s share capital and about the total amount that the company paid for them;

2) if own stocks are acquired for the purpose of distribution to employees of the company or to an affiliated company, or as a reward to the members of the board of directors, or executive board and supervisory board, if the company has a two-tier board system, but up to maximum 3% of any class of stocks during a business year, provided that this option is provided by the articles of association and that the reserves are provided for this purpose.

At each acquisition it shall be on the board of directors, or supervisory board, if the company has a two-tier board system, to check whether the conditions from Paragraph 2, items 2) to 4) of this Article have been met, and to produce a report thereon.

Acquisition of own stocks of a controlling company

Article 284

If company stocks are acquired by its controlled company, and if stocks are acquired by a third party acting in its name and for the account of the controlled company, it shall be considered that those stocks were acquired by a controlling company, in which case the stocks are governed by the provisions of this law in respect of own stocks.

If a controlled company has acquired stocks of the controlling company prior to establishing a controlling interest, upon establishing of the controlling interest these stocks shall not be considered as own stocks within the meaning of this Law, but they will no longer confer voting rights and their par value, or accounting value for the stocks without par value, shall be added to the amount of share capital and reserves in assessing fulfilment of conditions from Article 283, Paragraph 2, item 2) of this Law.

Exceptions to the conditions on acquisition of own stocks

Article 285

The provisions of Article 283, Paragraphs 2 to 5 of this Law shall not apply if a company acquires own stocks:
1) as a consequence of exercising rights of dissenting stockholders;
2) as a consequence of expulsion of a stockholder;
3) free from encumbrances;
4) as a consequence of a status change;
5) based on a court decision;
6) if the stocks are acquired with the view of reducing the company’s capital.
Process of acquiring own stocks
Article 286

The board of directors, or supervisory board, if the company has a two-tier board system, acting pursuant to the resolution on acquisition of own stocks from Article 283, Paragraph 2, item 1) and Article 280, Paragraph 4 of this Law shall make an offer for the repurchase to all stockholders of that class of stocks.

The offer from Paragraph 1 of this Article shall contain:
1) type, class and number of stocks that the company wants to acquire;
2) the price the company is ready to pay, or the method of setting the price;
3) method and deadline for payment of the price;
4) procedure and deadline for the stockholders’ response to the company’s offer of a minimum 15 days.

The offer from Paragraph 1 of this Article is delivered by applying accordingly the provisions of Article 335 of this law on sending invitations for the stockholders’ meeting:

If a total number of stocks offered for sale to the company by stockholders is higher than the number of stocks from Paragraph 2, item 1) of this Article, the company shall purchase from each stockholder a number of stocks that is proportionate to the offered number of stocks, when in assessing this proportionate number only rounded numbers of stocks will be taken into account.

Notwithstanding Paragraph 3 of this Article, the board of directors, that is, supervisory board if the company has a two-tier board system, may decide that the company may acquire an even higher number of stocks, but in no case higher than the number of stocks indicated in the resolution from Article 283, Paragraph 2, item 1) of this Law, when the total number of the stocks acquired by the company is lower than the total number of the stocks offered for sale by the stockholders, that company is obliged to adhere to the principle of proportionality from Paragraph 3 of this Article.

The provision of this Article shall not be applied to the acquisitions of own shares in the cases from Article 283, items 1) to 5) of this Law.

Status of own stocks
Article 287

Own stocks do not confer voting rights.

Own stocks do not entitle to dividend or any receipts, and may not be taken as a basis for distributions to stockholders, with the exception of the capital decrease case.

Obligation to dispose of own stocks
Article 288

If a company has acquired own stocks in contravention of Articles 283 and 285 of this Law, the company shall have to dispose of them or cancel them within one year from the acquisition date.

The company may dispose of own stocks acquired pursuant to Article 283, Paragraph 4, item 1) in keeping with the rules governing the capital market.
Own stocks acquired pursuant to Article 283, Paragraph 4, item 2) shall have to be distributed by the company to the persons/entities determined in the resolution on acquiring within one year from the acquisition date.

If the company has acquired own stocks pursuant to Article 285, items 1) through 5) whose par value, that is, accounting value for the stocks without par value is higher than 10% of the share capital, the company shall have to sell them within two years from the acquisition date, so that the total value of so acquired own stocks shall not exceed 10% of the share capital.

If the company fails to distribute, or dispose of own stocks within the deadlines from Paragraphs 3 and 4 of this Article, the board of directors, that is, supervisory board if the company has a two-tier board system, shall cancel them upon expiration of the deadline, with no need for a special resolution of the meeting, and thus decrease the company’s share capital.

Method and procedure of disposal
Article 289

Board of directors, that is, supervisory board if the company has a two-tier board system, shall adopt its resolution on disposal of own stocks, pursuant to conditions of disposal determined by the resolution from Article 283, Paragraph 2, item 1 of this Law.

In the process of disposing of own stocks the persons who are company stockholders on the date of the resolution from Paragraph 1 of this Article shall be entitled to a pre-emption right.

If upon fulfilment of obligation from Paragraph 1 of this Article there remains a certain number of own stocks, the company may dispose of them in favour of third parties or cancel them in line with this Law.

Exceptionally, if the pre-emptive right from Paragraph 1 of this Article is specified in the company’s articles of association, the right may be limited or abolished only by a resolution of the stockholders’ meeting that was passed by a three-quarter majority of the votes of the stockholders present.

The price at which the company may dispose of own stocks shall be determined pursuant to Article 245 of this Law.

The provisions of Article 278 of this Law shall apply accordingly to the exercise, restriction or abolishing of the pre-emptive right from this Article.

Reporting on own stocks
Article 290

A company which during the business year has acquired or disposed of own stocks shall have to disclose in its financial statements for the respective year:

1) reasons for acquisition;
2) type, class, number and par value, that is, accounting value for the stocks without par value, of own stocks acquired or disposed of during that year, as well as their share in the total share capital;
3) price at which the stocks were acquired or disposed of; and
4) type, class, total number and par value, that is, accounting value for the stocks without par value, of own stocks of the company at the end of that business year, as well as their share in the total company’s share capital.

Own stocks of a public joint stock company  
Article 291

In the case of a public joint stock company, the provisions of Articles 282 through 290 of this Law shall apply unless otherwise stipulated by the law governing the capital market.

Pledge of company stocks  
Article 292

The company may not accept its shares as a pledge either directly or through a third party that accepts the pledge in its name and for the account of the company.

Acquisition of own convertible bonds and warrants  
Article 293

The provisions of Article 283, Paragraph 2 of this Law shall apply accordingly to the acquisition of convertible bonds and warrants.

If the company acquires own convertible bonds or warrants, the board of directors, that is, supervisory board if the company has a two-tier board system, shall cancel them immediately upon acquisition, with no need for a special resolution of the meeting, and thus decrease the company’s capital.

Any cancelling of convertible bonds or warrants pursuant to Paragraph 2 of this Article shall result in reduction of provisionally increased company’s share capital, and the company’s share capital is not reduced in that process.

A reduction of provisionally increased company’s share capital shall be registered in line with the law on registration.

6. Capital

6.1. Increase in share capital

Decision Making  
Article 294

A resolution on the issuance of stocks for the purpose of increasing the company’s share capital shall be rendered by the company’s stockholders’ meeting, except in case of authorized capital, when such a resolution may be rendered by the board of directors, that is, supervisory board, if the company has a two-tier board system, in accordance with Article 326 of this Law.
The resolution referred to in Paragraph 1 of this Article shall be registered in compliance with the law on registration within no later than 6 months as of the date of adoption.

The resolution referred to in Paragraph 1 of this Article which is not registered in compliance with Paragraph 2 of this Article shall be null and void.

The subscription of stocks under the resolution referred to in Paragraph 1 of this Article may not commence before the resolution is registered as prescribed in Paragraph 2 of this Article.

The resolution referred to in Paragraph 1 of this Article may be made only after paying in full of, that is, bringing in the contributions for the previously issued and subscribed stocks.

The restrictions stipulated in Paragraph 5 of this Article shall not apply if the resolution to issue stocks is adopted based on:

1) increase in share capital as a result of a status change; and
2) increase in share capital by way of contributions in kind.

Method of Increase

Article 295

The share capital of a company may be increased:
1) through new contributions;
2) conditionally, in compliance with Article 301 of this Law (conditional increase in capital);
3) out of the company’s retained earnings and reserves available for that purpose (increase from net assets of the company);
4) as a result of a status change.

An increase of share capital by new contributions from Paragraph 1, item 1) of this Article shall be treated as conversion of debt into share capital.

Public joint stock companies may not increase share capital through conversion of debt into share capital.

6.1.1. Increase in share capital through new contributions

Content of the Resolution

Article 296

The resolution on the increase in share capital by way of new contributions shall contain, in particular:
1) amount of increase in share capital;
2) method of the share capital increase, and the success threshold of the share issue;
3) resolution implementation deadlines;
4) issue price determined in compliance with Article 261 of this Law, or the method of determining such a price; and
5) important elements in respect of the stocks to be issued as stipulated to in Article 249 of this Law or the criteria by which such elements shall be determined;
6) nomination of a bank for the payment of stocks.

The success threshold referred to in Paragraph 1, item 2) of this Article shall represent a ratio between the number of subscribed stocks and the number of stocks the issuance of which is authorized by a resolution.

If the share capital is to be increased by way of contributions in kind, the resolution from Paragraph 1 of this Article shall also contain the following:
1) the property or the right that the company thereby acquires and assessment of its value;
2) the name and other details referred to in Article 266 of this Law concerning the person who enters in a contribution in kind;
3) the type, class, number and par value of stocks, i.e. the accounting value of stocks in case of non-par stocks, which are issued thereunder.

The assessment of value referred to in Paragraph 4, item 1) shall be made in compliance with Article 51 of this Law.

If the resolution on the increase in share capital by way of contributions in kind does not contain the details listed in Paragraph 3 of this Article:
1) the legal actions undertaken for the purposes of bringing a contribution in kind in the company shall produce no legal effects towards the company; and
2) the person who subscribed the stocks based on a contribution in kind shall pay in cash the issue price of such subscribed stocks.

Registration of stocks based on new contributions

Article 297

A company which issues stocks in the procedure for increasing the share capital by way of new contributions shall create a registration form that shall contain the following:
1) company details;
2) date of a resolution on issuing stocks;
3) amount of capital increase;
4) type, class and number of stocks to be issued;
5) rights, restrictions and other significant elements of stocks to be issued;
6) stock issue price and issuance success threshold;
7) the method and deadlines for paying of, that is, entering contributions, and other obligations, if such obligations are defined by the resolution on stock issuance;
8) details of the in-kind contribution referred to in Article 296, Paragraph 3, if capital increase is carried out by way of contributions in kind;
9) date on which the obligation assumed under the registration form terminates in case of unsuccessful issuance;
10) details of the person who registers stocks as referred to in Article 266, Paragraph 1 item 1); and
11) details about the type, class and number of stocks to be subscribed.

The company shall make available the registration form with the details listed in Paragraph 2, item 1) through 9) of this Article in the manner set forth by the resolution referred to in Article 296 hereof.
A person shall register stocks upon entering the details listed in Paragraph 2, items 10) and 11) into the registration form and by submitting the registration form to the company or to the person authorized by the company to carry out the registration of stocks.

The company may also prescribe by the resolution referred to in Article 296 hereof the method of identifying the persons who submit registration forms to the company.

The provisions of the law governing capital markets shall apply to the process of registration of the stocks issued by public offer.

Payment of stocks based on new contributions and bringing in contributions in kind

Article 298

Registered stocks shall be paid in compliance with the resolution on issuing the stocks, provided that immediately upon the expiry of the required registration period, the amount to be paid in may not be lower than 25% of their par value, i.e. accounting value in case of non-par stocks, together with the entire amount of the issue premium, if any.

The payment of the outstanding amount of registered stocks must be effected within five years as of the date of registration of the resolution on the increase in share capital, that is, within two years in the case of a public company, unless some shorter time period is provided in the resolution to issue the stocks.

If the increase in share capital is carried out by way of contributions in kind, such contributions in kind must be entered into the company in full, within five years of the date of registration of the resolution on the increase in share capital, that is, within two years in the case of a public company, unless some shorter time period is provided in the resolution to issue the stocks.

If the increase in capital failed, but a part of the contribution has already been paid in that is, entered, the company shall return such paid-in, that is, entered contribution, within no later than 15 days from the expiry of the stock registration deadline.

The procedure of payment of the stocks issued by public offer shall be regulated by the provisions of law governing the capital market.

Registration of stocks and stockholders in the Central Register

Article 299

If the increase in capital based on new contributions is successful in terms of Articles 296 and 298 hereof, the company shall file a request for registration of newly issued stocks and holders of such stocks in the Central Register through a member of the Central Register.

The request referred to in Paragraph 1 of this Article shall be accompanied with:

1) resolution on issuing stocks;
2) proof of registration of the resolution referred to in item 1) of this Paragraph in compliance with the law on registration;
3) the list of persons who subscribed and paid up stocks, with separately indicated numbers of subscribed and paid up stocks and the total amount of paid in stocks with the statement of the company’s legal representative certifying that the contained data are true and correct;
4) certificate by a member of the Central Register and the bank where payment is made on the subscribed and paid up stocks;
5) statement by the company's legal representative confirming the success of issuance and the compliance with the terms set out in Article 298, Paragraphs 1 and 3 hereof;
6) copy of a agreement entered into by the company and Central Register member in respect of the services involved in the increase in capital.

The Central Register shall prescribe the form of the request referred to in Paragraph 1 of this Article, and other documentation that shall be submitted with the request.

If stocks are issued through a public offer, the registration of such issued stocks and their statutory holders in the Central Register shall be made in compliance with the law governing the capital market.

Registration of the capital increase by way of new contributions

Article 300

Within 8 days from registration of the stocks issued within the procedure for the increase in share capital in the Central Register, as envisaged in Article 299 hereof, the company shall register the increase in share capital in compliance with the law on registration.

The company’s share capital shall be deemed increased as of the date of registration of such an increase in share capital in accordance with Paragraph 1 of this Article.

6.1.2. Conditional increase in share capital

Basis and amount for the conditional increase in share capital

Article 301

The conditional increase in the company’s share capital shall be made only to the extent necessary for:
1) exercising the rights of the holders of convertible securities to conversion into company stocks;
2) exercising the rights of the holders of warrants to acquisition of company stocks;
3) exercising the rights of employees, directors and members of the supervisory board, if there is a two-tier board system, to acquire company stocks, if it is envisaged so by the company’s articles of association; and
4) conducting the procedure related to a status change.

The amount of increase in share capital referred to in Paragraph 1 of this Article at the moment of adopting a resolution may not exceed:
1) 50% of the company’s share capital, in case referred to in Paragraph 1, items 1) and 2) of this Article;
2) 3% of the company’s share capital, in the case envisaged in Paragraph 1, item 3) of this Article;
3) 10% of the company’s share capital, in case referred to in Paragraph 1, item 4) of this Article.

The resolution of the stockholders’ meeting on the conditional increase in share capital which is not in accordance with the provisions of this Article shall be null and void.
Content of the resolution

Article 302

The resolution on the conditional increase in the company’s share capital shall contain in particular:

1) amount and purpose of the conditional increase in share capital;
2) classes of persons that are entitled to register the stocks and the terms and deadlines for the exercise of such a right;
3) deadline by which an increase in share capital may be carried out;
4) price at which stocks are to be acquired or method in which such a price can be determined;
5) significant elements of stocks issued as stipulated in Article 249 hereof.

The resolution referred to in Paragraph 1 of this Article shall be registered in compliance with the law on registration.

Registration of stocks in case of a conditional increase in share capital

Article 303

The holders of convertible securities shall acquire the right to registration of stocks in carrying out a conditional increase in share capital by way of providing the company with a written statement of conversion of such convertible securities into stocks, where such a statement shall be used in substitute of the registration and payment of stocks.

Article 297 of this law shall apply accordingly to the procedure for the registration of stocks in cases described in Article 301, Paragraph 1, items 2) through 4).

Registration of stocks and stockholders into the Central Register and registration of conditional increase in share capital

Article 304

The provisions of Articles 290 and 300 hereof shall accordingly apply to the registration of stocks and stockholders in the Central Register and the registration of any conditional increase in share capital in case referred to in Article 303 hereof.

6.1.3. Increase in share capital out of the company’s net assets

Conversion of reserves and retained earnings into share capital

Article 305

The increase in the company's share capital out of the company's net assets shall be carried out by way of conversion of retained earnings and reserves into the company's share capital.

The company’s retained earnings and reserves may be converted into share capital provided that the company has not reported losses in its financial statements, based on which a resolution on the increase in share capital is to be rendered.
Notwithstanding Paragraph 1 of this Article, the company may, provided that it has first covered the losses from Paragraph 2 of this Article, increase its share capital from retained earnings and reserves remaining after the losses were covered. Only the reserves that may be used for those purposes may be converted into share capital.

Financial statements as a basis for decision making

Article 306

In the case of a public joint stock company and the company that is subject to audit in compliance with the accounting and auditing law, the financial statements based on which a resolution on the increase in share capital out of the company’s net assets is to be adopted must contain an unqualified auditor’s opinion in terms of the accounting and auditing.

In the case referred to in Paragraph 1 of this Article, the resolution on the increase in the company’s share capital out of the company’s net assets may be based on the financial statements for the previous business year provided that the company register such a resolution in accordance with the law on registration within six months as of the date on which such financial statements are adopted by the company’s stockholders’ meeting.

Content of the resolution

Article 307

A resolution on the increase in share capital out of the company’s net assets shall contain in particular:

1) amount of increase in share capital;
2) amount and type of reserves i.e. the amount of retained earnings to be converted into share capital;
3) indication whether new stocks are issued or whether the par value of the existing stocks, that is, accounting value of non-par stocks is to be increased; and
4) significant elements of stocks to be issued as stipulated in Article 249 hereof, if the increase in share capital is carried out by way of issuing new stocks.

Who is entitled to acquire stocks

Article 308

The right to stocks based on the increase in the company’s share capital out of the company’s net assets shall be vested in the company’s stockholders as at the date of rendering such a resolution.

The stockholders referred to in Paragraph 1 of this Article shall have the right to stocks based on the increase in share capital pro rata to the amount of their paid-in, that is, brought-in contribution relative to the paid-in, that is, brought-in share capital of the company.

The right referred to in Paragraph 1 of this Article shall also be vested in the company on grounds of the company’s own stocks.
A resolution of the company stockholders’ meeting which is not in compliance with the provisions of this Article shall be null and void.

Rights of the holders of convertible securities

Article 309

In case of increasing the share capital out of the company’s net assets, the rights of the holders of the company’s convertible securities shall proportionally increase with respect to the number of stocks they are entitled to or with respect to the stock par value, that is, accounting value in case of non-par stocks.

Right to dividend

Article 310

The stocks acquired by way of increasing the share capital out of the company’s net assets, i.e. the amount of increase in the par value of stocks or the accounting value of non-par stocks, shall carry the right to dividend for the entire business year in which a resolution on the increase in share capital is made, unless such a resolution stipulates otherwise.

The resolution on the increase in share capital out of the net assets of the company may stipulate that the stocks acquired by way of increasing the share capital out of the company’s net assets, i.e. the amount of increase in the par value of stocks or the accounting value of non-par stocks, shall be included in the allocation of dividends even for the previous business year, provided such a resolution is made before a resolution on the allocation of profits for the previous business year has been rendered.

Entry of the increase in share capital out of the company’s net assets into the Central Register

Article 311

The request filed with the Central Register for the entry of new stocks and the holders thereof, i.e. entry of the increase in the par value of stocks or accounting value of non-par stocks based on the increase in capital out of the company’s net assets shall be accompanied by:

1) resolution on the increase in capital;
2) evidence of registration of the resolution referred to in item1) of this Paragraph in compliance with the law on registration;
3) statement by the legal representative of the company of compliance with the terms set out in Articles 305 and 308 hereof.

Along with the request referred to in Paragraph 1 of this Article, a public joint stock company shall submit a notice to the Securities Commission on the increase in capital out of the company’s net assets.

Registration of the increase in share capital out of the company’s net assets

Article 312

The provisions of Article 300 hereof shall apply accordingly to the registration of the increase in share capital out of the company’s net assets.
6.1.4. Authorized capital

Authorized stocks
Article 313

In addition to issued stocks, a joint stock company may also have authorized stocks of a certain class and type, if provided so by the articles of association, provided that the number of authorised stocks must always be less than one half of issued ordinary stocks.

Authorized stocks may be issued in case of increasing the company’s share capital with new contributions or for the purpose of exercising the rights of the holders of convertible securities and warrants.

The company’s stockholders’ meeting shall adopt a resolution on authorized stocks specifying the significant elements of such authorized stocks and authorizing the board of directors, i.e., supervisory board, if the company has a two-tier board system, to issue such authorized stocks within the period set forth thereunder.

The period referred to in Paragraph 3 of this Article may not span more than five years, and it may be extended by way of amending the articles of association or the resolution of the company’s stockholders’ meeting prior to the expiry thereof.

Notwithstanding Paragraph 3 of this Article, the stockholders’ meeting shall not be required to pass a resolution if all the elements prescribed in Paragraph 3 of this Article are stipulated in the articles of association.

The resolution of the stockholders’ meeting referred to in Paragraph 3 of this Article shall be registered in keeping with the law on registration.

6.2. Reduction of share capital

Decision making and content of the resolution
Article 314

The resolution on the reduction of the share capital shall be adopted by the company’s stockholders’ meeting by a three-quarter majority of votes cast by the present stockholders of each class of stocks having the right to vote on the relevant matter.

Notwithstanding Paragraph 1 of this Article, the resolution on the reduction of the share capital may be adopted by the board of directors, that is, supervisory board if the company has a two-tier board system, in case of cancellation of the company's own stocks, if such an authorization is granted under the resolution adopted by the company's stockholders' meeting, as laid down in Article 283, Paragraph 2 of this Law.

The resolution from Paragraphs 1 and 2 of this Article shall be registered in line with the law on registration not later than three months from the date of adoption.

The resolution referred to in Paragraph 1 of this Article which is not registered in accordance with Paragraph 3 of this Article shall be null and void.

A resolution on the reduction of the share capital shall specify the purpose, extent and manner of such reduction, and shall particularly stipulate whether the reduction of the share capital is made in compliance with Article 320 or 321 hereof, whereby the application of the provisions of Article 319 of this Law regarding the protection of creditors shall be excluded.
If the reduction of the share capital is made in keeping with the provision of Article 319 of this Law which governs the protection of creditors, a resolution on the reduction in share capital shall also contain the invitation for the creditors to file their claims and thus have them secured.

Share capital reduction in case of loss
Article 315

If the annual financial reports imply that due to losses the value of the company’s net assets is smaller than the value of the share capital, the company is obliged to carry out the procedure of reduction of the company’s share capital within 6 months from the end of the respective business year to which the financial statements refer to.

The provisions of Article 319 hereof on the protection of creditors do not apply to the company share capital reduction procedure pursuant to Paragraph 1.

In the case from Paragraph 1 of this Article, if, following the share capital reduction it would have a lower value than the minimum share capital from Article 246 hereof, the company shall simultaneously increase the share capital on another ground in order for the company capital to be at least equal to the minimum share capital, as otherwise the company shall be subject to forced liquidation.

Methods of reducing share capital
Article 316

The company's share capital may be reduced by way of:
1) withdrawal and cancellation of stocks in the possession of stockholders;
2) cancellation of the company's own stocks;
3) reduction in the par value of stocks, that is, accounting value of stocks in case of non-par stocks.

The reduction of the share capital shall be carried out by applying the provisions of this law pertaining to the protection of creditors, unless this law provides otherwise.

Assumptions for the withdrawal and cancellation of stocks
Article 317

The withdrawal and cancellation of the company's stocks may be carried out only if such a possibility is envisaged by the company's articles of association before the registration of the stocks that are to be withdrawn and cancelled.

Notwithstanding Paragraph 1 of this Article, the withdrawal and cancellation of stocks may also be carried out in case such a possibility was not envisaged by the company's articles of association before the registration of stocks that are to be withdrawn and cancelled, on condition that such a resolution be adopted with the consent of each stockholder whose stocks are to be
withdrawn and cancelled, and with the consent of third parties who have rights in the stocks registered in the Central Register.

The resolution of the company stockholders’ meeting on the reduction in share capital by way of withdrawal and cancellation of stocks shall contain the terms, deadlines and method in which such withdrawal and cancellation of stocks are to be carried out, unless the same are defined in the company’s articles of association.

Principle of equality
Article 318

A reduction of the company’s share capital shall be carried out in compliance with the principle of equal treatment of the stockholders belonging to the same class.

The equal treatment of stockholders referred to in Paragraph 1 of this Article shall be secured through a proportionate withdrawal and cancellation of stocks of all stockholders of the relevant class of stocks or by a proportionate reduction in the par value of stocks, i.e. accounting value of stocks of all stockholders of the relevant class of stocks.

The amount of reduction in share capital must be established in the amount that provides for the application of the principle of equal treatment in keeping with Paragraph 2 of this Article.

The resolution on the reduction of the share capital which does not meet the requirements set out in this Article shall be null and void.

Protection of creditors
Article 319

The Companies Register shall publish a resolution on the reduction in the company’s share capital throughout a period of three months starting from the date of registration, as laid down in Article 314, Paragraph 3 of this Law.

A company shall notify the creditors that are known to the company, whose claims amount to at least RSD 2,000,000 in the equivalent of any currency at the median exchange rate of the National Bank of Serbia on the registration date of the resolution on the reduction in the share capital pursuant to Article 314, Paragraph 3 hereof, in writing, about the above resolution, but not later than 30 days upon completed registration of the above resolution.

The creditors whose claims have arisen, irrespectively of maturity dates, prior to the expiry of a 30-day deadline as of the date of publication of the resolution on the reduction of the company’s share capital in line with Paragraph 1 of this Article, may request the company in writing to provide them with security for such claims until the expiry of the publication period for that resolution, as stipulated in Paragraph 1 of this Article.

The creditors who request to be provided with security for their claims in keeping with Paragraph 2 of this Article, and are not provided with the security for such claims by the company within the period of three months upon the expiry of the deadline set forth in Paragraph 1 of this Article, or whose claims are not settled by the company, may file an action before the competent court in order to be provided with security for their claims, on condition that they prove that the settlement of their claims is affected due to the relevant reduction of the share capital.

The court shall not order that the security be established under the action from Paragraph 3 hereof if the company proves that no such security is needed to protect the creditors after the company’s assets are taken into account.
Notwithstanding Paragraph 2 of this Article, no security for the claims may be requested by:

1) creditors whose claims belong to the first or second rank of priority in terms of the law governing bankruptcy matters;
2) creditors whose claims are secured.

In the event of a reduction in the company’s share capital, the company may effect payments towards stockholders only upon the expiry of a period of 30 days as of the date of registration of the reduction in share capital, pursuant to the law on registration.

Exemptions from the application of provisions on the protection of creditors in case of cancellation of stocks

Article 320

The provisions of Article 319 of this Law related to the protection of creditors shall not apply in the following cases:

1) when cancelling the company’s own stocks, which the company acquired without encumbrance and which are fully paid in;
2) when withdrawing and cancelling the stocks that are fully paid in by effecting payments out of the reserves which can be used for such purposes, where the company is obliged to comply with the provisions of Article 276 of this law related to payment restrictions;
3) when withdrawing and cancelling non-par stocks, which simultaneously leads to an increased participation of the remaining stocks in the company’s share capital, that is, in case of withdrawing and cancelling stocks with par value, which results in an increased par value of the remaining stocks thus preventing a reduction in the company’s share capital;
4) when the withdrawal and cancellation of stocks is accompanied by issuance of new stocks with the par value of the withdrawn stocks, i.e. accounting value in case of non-par stocks.

Exemptions from the application of provisions on the protection of creditors in case of a reduction of the share capital without a change in the company’s net assets

Article 321

A reduction of the company's share capital which does not result in a change in the company's net assets shall not be subject to the provisions of Article 319 of this law related to the protection of creditors.

The company's net assets shall not change in case of a reduction of the share capital with the purpose of:

1) covering the company’s losses;
2) creating or increasing the reserves for covering any future losses of the company or for increasing the share capital out of the company’s net assets.

The reduction of the company’s share capital referred to in Paragraph 2, item 1) of this Article may be carried out only if the company has no retained earnings and reserves that may be used for such purposes and in the amount that may not exceed the amount of losses to be covered.

The reserves referred to in Paragraph 2, item 2) of this Article may not exceed 10% of the share capital after the reduction in capital.
The reduction of capital, as provided for in the provisions of this Article, may not be the basis for effecting payments to stockholders or releasing stockholders from the obligation of paying, that is, bringing in the contributions that are subscribed, but not paid in, that is, contributions that are not entered into the company.

Entry of the reduction of share capital into the Central Register

Article 322

After the registration of a resolution on the reduction of the company’s share capital, that is, on the completion of procedure for the protection of creditors in accordance with Article 319 of this law, the company shall file a request with the Central Register for the entry of the changes that have arisen from the reduction of share capital.

If the creditors, acting pursuant to Article 319, Paragraph 3 of this law, bring an action against the company before a responsible court, the registration of changes from Paragraph 1 of this Article may be effected only upon effective and valid completion of the respective court proceedings and upon establishing a security in favour of creditors, is so ordered by the court.

Along with the request referred to in Paragraph 1 of this Article, the company shall also submit:

1) resolution on the reduction of share capital;
2) evidence of registration of the resolution referred to in item 1) of this Paragraph in compliance with the law on registration;
3) data on the changes that are to be entered into and the stockholders in whose accounts such changes are to be entered; and
4) statement by all directors and supervisory board members, in case of a two-tier board system, of compliance with the legal requirements for a reduction of capital.

In the event of a reduction in capital that the company was obliged to carry out in accordance with Article 304 of this law, the company shall submit, along with the request referred to in Paragraph 1 of this Article, the following documents:

1) the evidence of publication of the resolution referred to in Paragraph 1, item 1) of this Article, as provided in Article 319 of this Law; and
2) the statement by all directors and supervisory board members that all the claims the security or settlement of which were demanded by the creditors, in keeping with Article 319, Paragraph 2 of this Law, have been secured, that is, settled, that is, that the respective creditors did not bring an action before a competent court within the prescribed time period, that is, that the responsible court refused to order that a security be established in favour of those creditors.

Directors and supervisory board members shall be jointly and severally liable to the company’s creditors for any damage that may arise as a consequence of a reduction of the company’s share capital if the statement referred to in Paragraph 3, item 4) or the statement referred to in Paragraph 4, item 2) of this Articles were false.

Registration of a reduction of share capital and effectiveness of registration

Article 323

On completion of the entry of changes arising from the reduction of share capital into the Central Register, the company is obliged to carry out the registration of the reduction in share capital in compliance with the law on registration.

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The company’s share capital shall be deemed reduced as of the date of registration referred to in Paragraph 1 of this Article.

The largest amount of reduction
Article 324

A resolution on the reduction of the company’s share capital below the minimum amount of share capital referred to in Article 246 of this law may be rendered only on condition that the share capital be simultaneously increased, as provided for in Article 325 of this law, so that the company’s share capital could be at least equal to the minimum amount of share capital referred to in Article 246 hereof, as a result of such reduction and increase.

In the case from Paragraph 1 of this Article, if the company fails to adopt a resolution on the increase of share capital pursuant to that Paragraph and fails to carry out the said increase at the same time, the resolution on the reduction of share capital shall be null and void.

Simultaneous reduction and increase of the share capital
Article 325

A company may adopt a resolution by which the company’s share capital shall simultaneously be reduced on one ground and increased on the other ground.

In the case referred to in Paragraph 1 of this Article, the provisions of this law governing the reduction and increase in the company’s share capital shall apply.

7. Management of the company

Company bodies
Article 326

The management of the company may be organized through a one-tier or two-tier board system.

In case of one-tier board system, the company’s bodies shall be:
1) stockholders’ meeting;
2) one or several directors, i.e. board of directors.

In case of two-tier board system, the company bodies shall be:
1) stockholders’ meeting;
2) supervisory board;
3) one or more executive directors, that is, the executive board.

In a single-stockholder company, the function of the stockholders’ meeting shall be discharged by the sole stockholder of the company.

The company’s articles of association shall stipulate whether the company shall have a one-tier or two-tier board system.

Any change in the type of management organization shall be made by way of amendment to the articles of association.

7.1. Stockholders’ meeting

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7.1.1. General rules

Application of the provisions on the stockholders’ meeting
Article 327
The provisions of this law referring to the stockholder’s meeting shall apply to all joint
stock companies irrespectively of the type of the management organization.

Composition of the stockholders’ meeting and stockholders’ rights
Article 328
The stockholders’ meeting shall be composed of all company stockholders.
A stockholder shall have the right to participate in the work of the stockholder’s meeting,
which shall imply:
1) right to vote on the issues that are voted on by his/her class of stocks;
2) right to participate in the debate on the issues on the agenda of the stockholders’
meeting, including the right to file motions, raise questions related to the issues on the agenda of
the stockholders’ meeting and receive answers, in compliance with the company’s articles of
association and the rules of procedure of the stockholders’ meeting.

Notwithstanding Paragraph 2 of this Article, the articles of association may stipulate the
minimum number of stocks which a stockholder must possess in order to participate in the work
of the stockholders’ meeting in person, which number of stocks may not exceed the number
which accounts for 0.1% of the total number of stocks of the relevant class.

The stockholders that do not individually possess the number of stocks prescribed in
compliance with Paragraph 3 of this Article shall have the right to participate in the work of the
stockholders’ meeting through their joint proxy or vote in absentia, in accordance with this law.

The articles of association or the rules of procedure of the stockholders’ meeting may
impose only those restrictions on the right to participate in the work of the stockholders’ meeting
that are aimed at securing order at the session of the stockholders’ meeting.

Scope of activity of the stockholders’ meeting
Article 329
The stockholders’ meeting shall decide on:
1) amendments to the articles of association;
2) increase or reduction of share capital, and each issuance of securities;
3) number of authorized stocks;
4) changes in the rights or privileges pertaining to any class of stocks;
5) status changes and changes in legal form;
6) acquisition and disposal of high-value assets;
7) allocation of profits and coverage of losses;
8) adoption of financial statements and auditor’s reports, where financial statements were
subject to audit;
9) adoption of reports by the board of directors, that is, supervisory board, if there is a two-
tier board system;
10) remunerations paid to the directors, that is, supervisory board, if there is a two-tier board system, that is, the rules on determining such remunerations, including the remuneration paid in stocks and other securities of the company;
11) appointment and recall of directors;
12) appointment and recall of the members of the supervisory board, if there is a two-tier board system;
13) instituting liquidation proceedings, i.e. filing the request for bankruptcy proceedings;
14) selection of an auditor and remuneration for his/her work;
15) other issues that are put on the agenda of the stockholders’ meeting in keeping with this law;
16) other issues, in keeping with this law and the articles of association.

Types of stockholders’ meeting
Article 330
The stockholders’ meetings may be regular and extraordinary.

Record date
Article 331
The record date shall be the date on which the list of stockholders entitled to participate in the work of the stockholders’ meeting is made and falls on the 10th prior to the date of that session of the stockholders’ meeting.
A company shall compile the list of stockholders referred to in Paragraph 1 of this Article based on the excerpt from the central stockholder records kept with the Central Register.
When filing a request with the Central Register for the issuance of an excerpt referred to in Paragraph 2 of this Article, the company shall state the classes of stocks carrying the rights to vote at the relevant session of the company stockholders’ meeting.
The stockholder included in the list referred to in Paragraph 1 of this Article, who transfers his/her stocks to a third party after the record date, shall retain the right to participate in the work of that stockholders’ meeting based on the stocks that he/she held as at the record date.
The board of directors, or the executive board, in the case of the two-tier board system, shall be obliged to deliver the above list, either in writing or in electronic form, to each stockholder on the list referred to in Paragraph 1 of this Article, at the written request of the stockholder that may be sent by electronic mail as well, without any delay, but no later than the following working day as of the date of receiving such request.
Notwithstanding Paragraph 5 of this Article, in the case of a public joint stock company with over 10,000 stockholders on the record date, it shall be considered that the company has accomplished the obligation from that Paragraph if it was made possible for the stockholders who filed the request to see the list from Paragraph 1 of this Article on the premises of the

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company in the period starting from the date following the record date until the working day that precedes the date of the stockholders’ meeting, and the company’s obligation shall be to notify the stockholders accordingly in the notice of the stockholders’ meeting.

Venue of the stockholders’ meeting
Article 332

As a rule, the stockholders’ meeting shall be held at the company’s seat. The board of directors, that is, supervisory board, if the company has a two-tier board system, may decide that the stockholders’ meeting be held at some other place if it is necessary in order to facilitate the organization of the stockholder’s meeting session.

Chairperson of the stockholders’ meeting
Article 333

The session of the stockholders’ meeting shall be presided over by the chairperson of the stockholders’ meeting appointed under the company’s articles of association, or the person whom the stockholders’ meeting elects at each session in compliance with the articles of association or the rules of procedure of the stockholders’ meeting, and, in case the articles of association and the rules of procedure of the stockholders’ meeting do not prescribe the procedure for the election of a chairperson of the stockholders’ meeting, the chairperson of the stockholders’ meeting shall be the person who possesses or represents the largest individual number of votes attaching to ordinary stocks, as compared to the total number of votes of the present stockholders holding ordinary stocks.

If the articles of association or the rules of procedure of the stockholders’ meeting envisage that the chairperson of the stockholders’ meeting shall be elected by the stockholders’ meeting, the articles of association or the rules of procedure of the stockholders meeting may stipulate that once elected chairperson of the stockholders’ meeting shall discharge that function at all forthcoming sessions of the stockholders’ meeting, as well, until the election of a new chairperson in accordance with the articles of association, that is, the rules of procedure of the stockholders’ meeting.

Notwithstanding the provisions set out in Paragraphs 1 and 2 of this Article, the stockholders’ meeting shall be presided over by the person whom the court has designated to discharge the function of a chairperson of the stockholders’ meeting in compliance with Article 339 of this law.

The rules of procedure of the stockholders’ meeting shall specify in detail the competences and scope of activity of the chairperson of the stockholders’ meeting.

Rules of procedure of the stockholders’ meeting
Article 334

At its first session, the stockholders’ meeting shall adopt, at the proposal of the chairperson of the stockholders’ meeting, by a two-third majority vote of the present stockholders, the rules of procedure of the stockholders’ meeting (rules of procedure of the stockholders’ meeting), unless a greater majority is stipulated in the articles of association.
The rules of procedure of the stockholders’ meeting shall specify in more detail the method of work and decision making of the stockholders’ meeting in compliance with the law and the articles of association.

At the proposal of the chairperson of the stockholders’ meeting or the participants in the work of the stockholders’ meeting possessing or representing at least 10% of the vote of the present stockholders, the stockholders’ meeting may adopt amendments to the rules of procedure of the stockholders’ meeting at each session by a majority vote referred to in Paragraph 1 of this Article.

7.1.2. Convocation of the stockholders’ meeting

Invitation for a session

Article 335

The invitation to the stockholders for the session of the stockholders’ meeting (hereinafter referred to as: invitation for a session) shall contain in particular:

1) date of sending of the invitation for a session;
2) time and place of holding a session;
3) draft agenda for the stockholders’ meeting clearly indicating the items on the agenda submitted to the stockholders’ meeting for decision making, and stipulating the class and the total number of stocks carrying the right to vote on the resolution concerned, as well as the majority required for the adoption of that resolution;
4) information about the manners in which the material for the session can be taken over, which must comprise at least all the manners envisaged in Paragraph 7 of this Article;
5) guidance on the stockholders’ rights related to the participation in the work of the stockholders’ meeting and clear and accurate information on the rules on exercising such rights, which rules must be in compliance with this law, the company’s articles of association and the rules of procedure of the stockholders’ meeting;
6) proxy form, if the company has prescribed the use of such a form pursuant to Article 344 of this law;
7) notice of the record date and explanation saying that only the stockholders who are the stockholders of the company on that date are entitled to participate in the work of the stockholders’ meeting.

The notice referred to in Paragraph 1, item 6) of this Article shall contain in particular:

1) designation of the stockholders’ rights to propose the agenda and rights to ask questions, stipulating the deadlines by which such rights may be used; however, such designation may refer only to these deadlines provided that it clearly indicates that other detailed information on the use of such rights is available on the company’s website;
2) description of the procedure for voting by proxy, and particularly of the form of the power of attorney and the manner in which the company provides the stockholders with a notification of appointment of a proxy by electronic means;
3) description of the procedure for voting in absentia, and for voting by electronic means, if so provided in the articles of association, including the forms for such voting.

The invitation referred to in Paragraph 1 of this Article shall be sent to the persons who are the company’s stockholders on the date when the board of directors, that is, supervisory board has decided to convene a session of the stockholders’ meeting, that is, the date of rendering a
decision by a court, if the session of the stockholders’ meeting is convened by way of court order.

The invitation referred to in Paragraph 1 of this Article shall be sent:

1) to the stockholders’ addresses, if they are known to the company, or by electronic mail, if the stockholder has given his/her written consent to such a manner of notification; or

2) by publishing in at least one high-circulation daily newspaper which is distributed in the entire territory of the Republic of Serbia.

A public joint stock company shall have to publish the invitation from Paragraph 1 of this Article also on the company’s web site, the web site of the Companies Register and the web site of the Central Register, and the notification must be available at least until the day following the date of the session.

The company making announcement from Paragraph 1 of this Article pursuant to Paragraph 5 of this Article shall be under no obligation to indicate, in the invitation from Paragraph 4 of this Article, the elements from Paragraph 1, items 4, 6 and 7 of this Article, if the invitation clearly indicates the websites from Paragraph 4 of this Article from which these data or documents may be downloaded.

The company shall bear all the costs of publishing and sending the invitation referred to in Paragraph 1 of this Article.

If, due to certain technical reasons, the company is not in a position to publish the forms referred to in Paragraph 2, item 3) hereof on its website, it shall indicate on its website the manner in which such forms can be obtained in hard copies, in which case the company shall have to deliver such forms by post, free of charge, to each stockholder who requires so.

The materials for the stockholders’ meeting must be made available to the stockholders:

1) so that a stockholder may take them over in person or through an authorized representative at the company’s seat during normal working hours; and

2) on the website of the company, so that the stockholders may download them in full.

The company’s articles of association may also envisage additional manners for making the materials for a session available to the company stockholders.

Along with the invitation referred to in Paragraph 1 of this Article, the company shall also publish on its website the total number of stocks and voting rights as at the date of publishing the invitation, including the number of stocks of each class carrying the right to vote on the items of the agenda of the stockholders’ meeting.

The stockholders’ meeting of a company that is not a public company may be held with no need to apply the provisions of this Article if all stockholders attend the meeting and if no stockholder has any objection thereto.

**Agenda**

**Article 336**

The agenda shall be established by the resolution of the board of directors, that is, supervisory board, in case of the two-tier board system, on convening a session of the stockholders’ meeting.

The stockholders’ meeting may decide and debate only on the items included in the agenda.

**Right to propose the agenda**
Article 337

One or more stockholders possessing at least 5% of stocks carrying voting rights may propose to the board of directors, that is, supervisory board in case of the two-tier board system, to include some additional items in the agenda for the session for consideration, as well as additional items to be decided on by the stockholders’ meeting, provided that they provide a relevant explanation for such a proposal or submit the wording of the resolution they propose.

The proposal referred to in Paragraph 1 of this Article shall be given in writing and shall state the details of the proponents referred to in Paragraph 1 of this Article, and it may be forwarded to the company in no later than 20 days prior to the date of holding a regular session of the stockholders’ meeting, that is, 10 days prior to holding an extraordinary session of the stockholders’ meeting.

The board of directors, that is, supervisory board, in the case of the two-tier board system, shall publish the proposal referred to in Paragraph 1 of this Article on the company’s website on the working day following the date of receipt, at the latest.

If the board of directors, that is, supervisory board, in the case of the two-tier board system, accept the proposal referred to in Paragraph 1 of this Article, the company shall, without delay, submit the new agenda to the stockholders entitled to participate in the work of the stockholders’ meeting in the manner set forth in Article 335, Paragraph 4 hereof.

Amendments to the agenda by court order

Article 338

If the board of directors, that is, supervisory board, in the case of the two-tier board system, do not accept the proposal referred to in Article 337 of this law within three days of the date of receipt of the proposal, the proponent shall have the right to request, in a subsequent three-day period, that the competent court order to the company, in out-of-court proceedings, to include the proposed items on the agenda for the stockholders’ meeting.

Upon rendering a decision on adopting the request referred to in Paragraph 1 of this Article, the court shall establish new items on the agenda and deliver its decision to the company forthwith, but no later than the next working day, and the company shall forward the same to the stockholders entitled to participate in the work of the stockholders’ meeting in the manner envisaged under Article 335, Paragraph 4 of this law.

The court may, according to the circumstances of a case, decide that the decision referred to in Paragraph 2 of this Article be published at the expense of the company in at least one high-circulation daily newspaper which is distributed in the entire territory of the Republic of Serbia.

If the new items on the agenda include the proposal for adopting certain decisions, the court’s decision referred to in Paragraph 2 of this Article must also contain the wordings of such decisions.

The procedure referred to in Paragraph 1 of this Article shall be urgent and the competent court shall decide on the filed motion within eight days of the date of receiving the motion.

The appeal to the decision referred to in Paragraph 2 of this Article shall not stay enforcement.

Holding of sessions by court order

Article 339
If a regular session is not held within the deadline prescribed hereunder, a stockholder who has the right to participate in the work of the stockholders’ meeting, the director or a member of the supervisory board, in case of the two-tier board system, may request, within the period of three months from the expiry of the deadline for holding the regular session, that the court order holding of that session in out-of-court proceedings.

If the board of directors, that is, supervisory board in case of a two-tier board system, fails to adopt a resolution, as requested by the stockholders for convening an extraordinary session within eight days from the date of receiving such a request, that is, if it rejects the request within that period and fails to notify the proponent thereof within the same period, and if the extraordinary session is not held within a period of 30 days from the date of receiving the request, each proponent may request, in the subsequent 30-day period, that the court order holding of that session in out-of-court proceedings.

The request referred to in Paragraph 2 of this Article shall be deemed received by the company upon the expiry of three days from the date of sending the request, if such a request has been sent to the address of the company’s seat by registered mail.

The decision by which the court orders holding of the session referred to in Paragraphs 1 or 2 of this Article shall stipulate the place and time of holding that session, the manner of publication of holding a session and notification of stockholders, as well as the agenda for the session.

If the court finds it reasonable in view of the existing circumstances, it can appoint a person, by way of the decision referred to in Paragraph 4 of this Article, who shall announce the holding of a session, notify the stockholders of that session and preside over the session in compliance with the court’s decision.

The costs of actions referred to in Paragraph 4 of this Article and the costs incurred by the person referred to in Paragraph 5 of this Article shall be advanced by the proponent, in line with the court’s decision.

The court shall impose an obligation on the company by way of the decision referred to in Paragraph 4 of this Article to bear the costs referred to in Paragraph 6 of this Article and all costs of organization of that session.

The procedure conducted upon the request referred to in Paragraph 1 of this Article shall be urgent and the court shall render a decision on that request within the period of eight days from the date of receiving thereof by the court.

7.1.3. Voting and participating in the work of the stockholders’ meeting

Voting in absentia

Article 340

The stockholders may vote in writing, without attending a session ensuring that their signatures on the voting forms are certified in compliance with the law on signature certification.

The company’s articles of association may exclude the obligation of providing certified signatures referred to in Paragraph 1 of this Article.

The stockholder who voted in absentia shall be deemed present at the session.
Participation in the work of the stockholders’ meeting by electronic means  
Article 341

The company’s articles of association or the rules of procedure of the stockholders’ meeting may envisage participation in the work of the stockholders’ meeting by electronic means, as follows:

1) participation in the stockholders’ meeting using real-time transmission technology (video-conferencing);

2) participation in the stockholders’ meeting through real-time, two-way transmission, (video-conferencing), where it is possible that the stockholders’ address the meeting from a different location;

3) the mechanism for electronic voting, either before or during the session, without a need for appointing a proxy who will be physically present at the session.

If the company facilitates the participation in the work of the stockholders’ meeting by electronic means, in keeping with Paragraph 1 of this Article, such participation may be limited only due to the need for identifying the stockholders and providing security of electronic communications only to the extent in which such limitations are necessary for fulfilling these purposes.

If interferences occur during transmission of the stockholders’ meeting as referred to in Paragraph 1, Item 1) of this Article, the chairperson of the stockholders' meeting shall discontinue the session for as long as such interferences last.

The right to ask questions and receive answers  
Article 342

A stockholder who has the right to participate in the work of the stockholders’ meeting is entitled to pose questions to the directors and members of the supervisory board, in case of a two-tier board system, related to the items of the agenda and other questions connected with the company only to the extent in which the answers to those questions are necessary for a proper consideration of the issues referring to the items of the agenda for the session concerned.

If the stockholders’ meeting of a parent company debates on the consolidated financial statement, the stockholders shall also have the right to ask questions pertaining to the operation of affiliated companies that are included in the consolidated financial statement.

The director, that is, member of the supervisory board, in case of a two-tier board system, shall provide the stockholder with an answer to the posed question referred to in Paragraph 1 of this Article in the course of the session.

Notwithstanding Paragraph 2 of this Article, the response may be withheld if:

1) it could be reasonably concluded that the answer might harm the company or an affiliated entity;

2) the giving of an answer would represent a criminal offence;

3) the relevant information was available on the company’s website in the form of questions and answers, at least seven days prior to holding of the session.

The articles of association and the rules of procedure of the stockholders’ meeting may stipulate the procedure for asking questions referred to in Paragraph 1 of this Article exclusively
for the purpose of facilitating identification of the stockholders, maintaining order at the session, preparing the session in a proper manner and protecting the business secret and business interests of the company.

The director, that is, member of the supervisory board, in case of a two-tier board system, may give a single answer to several questions with the same content.

In case the director, that is, member of the supervisory board, in case of a two-tier board system, refuses to provide a stockholder with an answer, that fact and the reason for such a refusal shall be entered in the minutes from the session.

Provision of answers by court order
Article 343

In the case referred to in Article 342, Paragraph 7 of this law, if the stockholders’ meeting has adopted a resolution on the item on the agenda in connection therewith a question was asked but was not answered, the stockholder whose question was not answered shall have the right to request, within eight days from the date of holding the session, that the competent court order to the company, in the out-of-court proceedings, to provide him/her with the answer to the posed question within a maximum of eight days.

The right referred to in Paragraph 1 of this Article shall be vested in each stockholder who stated for the record that the answer to his/her question was unreasonably denied.

The procedure referred to in Paragraph 1 of this Article shall be urgent and the competent court shall decide on the request filed within the period of eight days as of the date of receipt thereof.

7.1.4. Power of attorney for voting

Power of attorney for voting
Article 344

A stockholder is entitled to authorize a person by way of power of attorney to participate in the work of the company stockholders’ meeting on his/her behalf, including the right to vote on his/her behalf (power of attorney for voting).

The proxy referred to in Paragraph 1 of this Article shall have the same rights with respect to the participation in the work of the stockholders’ meeting as the stockholder who authorized him/her.

The company may not prescribe special conditions that must be fulfilled by a proxy, nor may it limit their number.

If the power of attorney is issued to several persons, it shall be deemed that each proxy is individually authorized for voting.

If a session is attended by more than one proxy of the same stockholder representing the same stocks, the company shall recognize as a proxy only the person whose power of attorney bears the latest date, and if there are several powers of attorney with the same latest date, the company shall recognize as a proxy only one of these persons.

The power of attorney for voting shall be granted in a written form and shall contain in particular:
1) name, that is, business name of the stockholder along with all the details listed in Article 266, Paragraph 1, item 1) hereof;

2) name of the proxy along with all the details listed in Article 266, Paragraph 1, item 1) hereof;

3) number, type and class of stocks for which the power of attorney is issued.

If a natural person issues a proxy, it has to be certified in line with the law governing the certification of signatures.

The power of attorney for voting may also be issued in electronic form, if the company allows such method for issuing powers of attorney.

A public company must create conditions for issuing of powers of attorney in electronic form.

If a power of attorney is issued in electronic form, it has to be signed by qualified electronic signature in line with the law governing electronic signature.

The articles of association of a public company must envisage at least one manner in which a stockholder or a proxy may notify the company of the power of attorney granted in electronic form, in which case it would be possible to require only formal requests that are necessary for identification of stockholders and verification of the content of the power of attorney.

The company may prescribe a mandatory use of a certain form for granting powers of attorney only on condition that the form is suitable for granting powers of attorney with instructions for each item on the agenda.

The articles of association or the rules of procedure of the stockholders’ meeting may envisage that a stockholder or proxy are obliged to furnish the company with a copy of the power of attorney before the date of holding a session.

In the case referred to in Paragraph 13 of this Article, the last date for the submission of the power of attorney may not be earlier than three working days before the date of holding a session.

If the power of attorney for voting contains any instructions or orders related to the exercise of voting rights, the proxy shall act in accordance therewith, and if the power of attorney contains no instructions, the proxy shall vote in good faith and in the best interests of the stockholders.

The orders and instructions referred to in Paragraph 12 of this Article must be clear and accurate and stipulated per item of the agenda, or may be so formulated to envisage that the proxy shall vote on all items of the agenda fully in compliance with the proposals of the board of directors, that is, executive and supervisory board, in case of the two-tier board system.

After a session is held, the proxy shall notify the stockholder of the manner in which he/she voted at the session.

The proxy shall be held liable for damage that might be sustained by a stockholder if he/she exercises the right to vote contrary to the provision set out in Paragraph 12 of this Article and such liability may not be limited or excluded, either in advance or subsequently.

If the power of attorney for voting stipulates that it is granted only for one session of the stockholders’ meeting, such power of attorney shall also be valid for a reconvened session.

If the power of attorney does not stipulate that it is granted for only one session of the stockholders’ meeting, such power of attorney shall be valid for all subsequent sessions until it is revoked, that is, until the expiry of the validity period thereof.

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The power of attorney for voting shall not be transferable.

If the proxy is a legal entity, it shall exercise the right to vote through its legal representative or other specially authorized person, who may exclusively be a member of that legal entity’s body or an employee with that legal entity.

Who may be appointed proxy

Article 345

The proxy referred to in Article 344 of this law may be any person, unless it is provided otherwise in this Article.

The proxy may not be the person who is a director or a member of the supervisory board of the company, in case of the two-tier board system.

The stockholders’ proxy in a public joint stock company may not be a person who is:

1) a controlling stockholder of the company or a person who is under the control of the controlling stockholder; or
2) a director or a member of the supervisory board of the company, or a person with such capacity in another company which is the controlling stockholder of that company or in the company which is under the control of the controlling stockholder; or
3) an employee in the company or a person who has such capacity in another company which is the controlling stockholder of the company or in the company which is under the control of the controlling stockholder; or
4) a person who, in accordance with Article 62 of this law, is deemed to be a person related to the natural person referred to in items 1) through 3) of this Paragraph; or
5) an auditor of a company or an employee of a person in charge of the company’s audit, or a person with the same capacity in another company which is the controlling stockholder of that company or in the company which is under the control of the controlling stockholder.

The provisions of Paragraph 3, items 1) through 4) shall not apply to a proxy to the controlling stockholder.

Power of attorney for several stockholders

Article 346

If one person is authorized by several stockholders to vote as a proxy, that person may exercise the right to vote in a different way with respect to each of those stockholders.

Special rule for the proxies nominated by the company

Article 347

If one or several persons to whom the stockholders may grant the power of attorney for voting are proposed in the invitation for a session, all the facts and circumstances relevant for identifying a conflict of interests referred to in Article 345 shall be indicated for each above person in the invitation for the session.

The persons referred to in Paragraph 1 of this Article shall inform the company’s board of directors, that is, executive board and supervisory board in case of the two-tier board system, of all the facts and circumstances referred to in Paragraph 1 of this Article immediately upon becoming aware of the existence of such facts and circumstances.
Special rule for banks in charge of summary or custody accounts

Article 348

A bank in charge of summary or custody accounts that is recorded in the central stockholders record as a stockholder on its own behalf and for the account of its clients, shall be deemed a proxy voting for its clients, provided that it shall present a written power of attorney for voting, or instruction for representation issued by these clients in order to be able attend the session.

The bank referred to in Paragraph 1 of this Article may exercise the right to vote for each of its clients, individually.

The power of attorney for voting, or instruction for representation must be completed in full at the time of issuing and may contain only the elements or statements that refer to the exercise of the voting right.

If a client fails to issue the relevant instructions for voting, the power of attorney shall entitle the bank to vote only:

1) in accordance with the proposal that the bank has given to a client for exercising voting rights; or
2) in accordance with the proposals of the board of directors, that is, supervisory board, in case of a two-tier board system.

The bank from Paragraph 1 of this Article shall at least once a year notify all the clients referred to in Paragraph 1 of this Article of the fact that they are authorized to revoke or amend the power of attorney for voting at any time.

The bank from Paragraph 1 of this Article shall make it possible for the clients referred to in Paragraph 1 of this Article to use the forms, which may also be in electronic format, for giving powers of attorney for voting, that is, instructions for representation.

The bank from Paragraph 1 of this Article shall keep the copies of all the instructions for representation and the granted powers of attorney for voting in hard copy or in electronic form for a period of three years as of the date of holding a session, and shall issue, during the same period, at the request of the stockholder who issued the order for representation, or power of attorney for voting, a written confirmation that they acted in compliance with the orders and instructions contained in the power of attorney.

The bank from Paragraph 1 hereof shall observe other obligations in respect of its action at the stockholders’ meetings and voting powers of attorney prescribed by the law or specified by decisions of the Securities Commission.

Amendment to or revocation of the power of attorney for voting

Article 349

A stockholder may amend or revoke the power of attorney in writing at any time prior to the date of holding a session, provided he/she has notified the proxy and the company thereof prior to the date of holding the session.

The amendment to or revocation of the power of attorney for voting shall be carried out by applying accordingly the provisions of this law pertaining to the grant of powers of attorney.

The power of attorney shall be deemed revoked if a stockholder attends the stockholders’ meeting in person.

7.1.5. Holding of a session of the stockholders’ meeting

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Admission to sessions
Article 350

The articles of association or the rules of procedure of the stockholders’ meeting may define the method of identifying the stockholders and their proxies who attend the session and participate in the work of the stockholders’ meeting.

The procedure defined in compliance with Paragraph 1 of this Article must be limited exclusively to the verification of personal identity only to the extent necessary for the fulfillment of this purpose.

If the company’s articles of association or the rules of procedure of the stockholders’ meeting do not prescribe the procedure referred to in Paragraph 1 of this Article, the identity of the persons who shall attend a session shall be verified:

1) for natural persons, by inspecting the personal identification document with a photograph, on the spot;
2) for legal entities, by evidencing the capacity of an authorized person of that legal entity and by inspecting the personal identification document with a photograph, on the spot.

The evidence referred to in Paragraph 3, item 2) of this Article shall mean an excerpt from the relevant register, and a special authorization stating the name of the person, if that person is not entered into the excerpt from the register as the company’s representative.

Quorum
Article 351

A stockholders’ meeting may transact business only if the stockholders who hold or represent the necessary number of votes of a class of stocks entitled to vote on a subject matter attend the meeting or are represented thereat (quorum).

A simple majority of the total number of votes of a class of stocks to vote on a subject matter shall constitute a quorum for the meeting, unless the articles of association require a larger number of votes.

Own stocks, and the stocks of the stockholders of a specified class of stocks with no voting rights on the subject matter shall not be taken into account in counting the number of presented, that is, represented stockholders.

The quorum at the session of the stockholders’ meeting shall be established before the stockholders’ meeting commences its work.

The quorum shall also include the votes of the stockholders who voted in absentia or by electronic means.

Reconvened session
Article 352

If a session of the stockholders’ meeting is adjourned due to the lack of quorum, it can be reconvened with the same agenda so that it is held in no later than 30 and no earlier than 15 days as of the date of adjournment (reconvened session).

The invitation for a reconvened session shall be sent to the stockholders in no later than ten days prior to the date scheduled for holding the reconvened session.

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If the date of a reconvened session is predetermined in the invitation for the session which was adjourned, the reconvened session shall be held on that date.

The date referred to in Paragraph 3 of this Article may not be the date which is earlier than the eighth and later than the thirtieth day counting from the date of the adjourned session.

The adjourned session’s record date shall be valid for the reconvened session.

Quorum for a reconvened session

Article 353

The reconvened regular session of the stockholders’ meeting may be held even if the requirement for quorum referred to in Article 351 of this law is not met, unless the articles of association provide otherwise.

One third of the total number of votes of the stocks carrying rights of vote on a subject matter shall constitute the quorum for the reconvened extraordinary session, unless the articles of association require a larger number of votes.

If there is no necessary quorum at a reconvened session of the stockholders’ meeting or if the session is not held within the prescribed period, the board of directors, that is, supervisory board, in the case of a two-tier board system, shall convene a new session of the stockholders’ meeting.

Majority for decision making at a reconvened session

Article 354

The resolutions adopted at a reconvened session of the stockholders’ meeting shall be passed by the majority vote as stipulated in this law and the articles of association, which, in case of a public company, may not be less than one fourth of the total number of votes of the stocks carrying rights of vote on the relevant matter.

Voting Committee

Article 355

The chairperson of the company stockholders’ meeting shall appoint a recording secretary, and members of the voting committee, unless the articles of association or the rules of procedure of the stockholders’ meeting require otherwise.

The voting committee, which is composed of at least three members, shall:

1) verify the list of persons participating in the work of the session and particularly the stockholders and their proxies, recording, in particular, which stockholders are represented by such proxies, except for the stockholders whose stocks are kept by a custody bank on its behalf and for their account;

2) verify the total number of votes and the number of votes of each of the present stockholders and proxies, and the existence of a quorum necessary for the work of the stockholders’ meeting;

3) verify the validity of each power of attorney and the instructions given in each power of attorney;
4) count votes;
5) verify and announce the results of voting;
6) hand over the ballots sheets to the company’s the board of directors, that is, executive board, in the case of a two-tier board system, for safekeeping;
7) perform other activities in compliance with the articles of association and the rules of procedure of the stockholders’ meeting.

The voting committee shall act in an impartial and fair manner towards all stockholders and proxies, and shall submit a signed written report about its work.

The members of the voting committee may not be directors, members of the supervisory board, nominees to such positions or any related persons.

Voting results
Article 356

The chairperson of the stockholders’ meeting shall, for each of the resolutions voted on by the stockholders, establish the total number of stocks of the stockholders who participated in voting, the percentage of share capital represented by those stocks, the total number of votes and the number of votes for and against the relevant resolution, as well as the number of votes of the stockholders who abstained from voting.

Notwithstanding Paragraph 1 of this Article, the chairperson of the stockholders’ meeting in public joint stock companies shall be authorized to establish only the existence of the majority required for adopting a certain resolution if there is no objection by any stockholder present.

A public joint stock company shall publish on its website, within no later than three days from the session date, the adopted resolutions and the results of voting on all the items of the agenda which the stockholders voted on.

The information referred to in Paragraph 3 of this Article must be made available on the company’s web site for at least 30 days.

The company which fails to act in compliance with Paragraphs 3 and 4 of this Article shall provide each stockholder, at its request, with the information referred to in Paragraph 3 of this Article within eight days from the date of receiving such a request.

If the company fails to act pursuant to Article 5 of this Article, the stockholder making the request may within an additional 30-day time period request the competent court, in an out-of-court procedure, to order the company to deliver the concerned information.

Voting by special classes of stocks
Article 357

If certain items on the agenda are subject to vote by special classes of stockholders, such voting may take place during the work of the stockholders’ meeting or at a specially convened meeting of the stockholders belonging to that class (special stockholders’ meeting) if so required by the stockholders with a special class of stocks, which represent at least 10% of the total number of votes of the stocks carrying rights of vote on the matter concerned.

The articles of association may exclude the possibility of holding a special stockholders’ meeting.

The convening, holding, establishing a quorum for and participating in the work of a special session of the stockholders’ meeting shall be subject to the provisions of this law.
pertaining to the convening, holding, establishing a quorum for and participating in the work of the ordinary session of the stockholders’ meeting.

Qualified majority

Article 358

The stockholders’ meeting shall adopt resolutions by a simple majority of the votes of the present stockholders with the right to vote on a certain matter, unless this law or the articles of association require a larger number of votes for certain matters.

In verifying the number of votes of the present stockholders for the purpose of establishing a qualified majority, account shall also be taken of the votes of the stockholders who voted in writing or by electronic means.

Voting agreements

Article 359

The agreement by which a stockholder or the stockholder’s proxy is obligated to vote in keeping with the proposals or instructions given by the company, director or member of the supervisory board, in case of a two-tier board system, shall be null and void.

The agreement by which a stockholder is obligated to exercise the right to vote in a certain manner or not to vote in exchange for the privileges or other services granted to him/her by the company, director or member of the supervisory board, if any, shall be null and void.

Manner of voting

Article 360

Voting may be open or secret.

Articles of association, rules of procedure of the stockholders’ meeting or a resolution of the stockholders’ meeting which is valid only for the session concerned, shall prescribe the manner of voting and the procedure for voting.

If the by-laws referred to in Paragraph 2 of this Article do not envisage the manner of voting, resolutions shall be adopted by open voting.

In case of secret voting, ballot sheets shall be compiled to provide clear options to the persons who vote.

The voting committee shall verify, in addition to the tasks referred to in 355 of this law, the total number of these ballot sheets and the number of unused and invalid ballot sheets.

If the ballot sheet contains several issues to be voted on, the invalidity of the stockholder’s vote on one issue shall not affect the validity of its votes on other issues.

Right of vote against pledged stocks

Article 361

The right to vote against pledged stocks shall be vested in the stockholder as a pledgor.

Disqualification to vote

Article 362

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The stockholder and the persons related thereto may not vote at the session at which resolutions are adopted on:

1) eliminating or reducing his/her obligations towards the company;
2) initiating or terminating a lawsuit against him/her;
3) approving the transactions in which that stockholder has his/her personal interest.

The votes of the stockholders whose right to vote is disqualified in accordance with Paragraph 1 of this Article shall not be taken into consideration even when establishing a quorum.

Minutes
Article 363

Each resolution of the stockholders’ meeting shall be entered into the minutes.

The chairperson of the stockholders’ meeting shall appoint a recording secretary who will keep minutes and the chairperson of the stockholders’ meeting shall be responsible for the proper compilation of minutes.

If a company has a secretary, the secretary shall keep the minutes and shall be responsible for the proper compilation of minutes.

The minutes from the session of the stockholder’s meeting shall be compiled within eight days from the date of the session, at the latest.

The minutes shall contain:

1) place and date of holding a session;
2) name of the person who keeps minutes;
3) names of the members of the voting committee;
4) summary of the debate on each items of the agenda;
5) the manner and results of voting on each item of the agenda which the stockholders’ meeting decided on, with the list of the resolutions adopted;
6) for each item on the agenda which the stockholders’ meeting voted on: the number of votes cast, the number of valid votes and the number of votes "for", "against" and "abstained";
7) questions asked by the stockholders and answers given to such questions, in accordance with Article 342 of this law.

The list of persons who participated in the work of the stockholders’ meeting and evidence that the session was convened in a proper manner shall constitute an integral part of the minutes.

The minutes shall be signed by the chairperson of the stockholders’ meeting, , the recording secretary, that is, the company secretary, if any, and all members of the voting committee.

The chairperson of the stockholders’ meeting, that is, the recording secretary of the company, if any, shall submit the signed minutes, in keeping with Paragraph 6 of this Article within three days upon expiration of the term from Paragraph 4 of this Article:

1) to all stockholders; or
2) publish it on the company’s website or on the Companies Register website, and have the minutes kept there for a period of at least 30 days.

Failure to act in compliance with the provisions of this Article shall not affect the validity of resolutions adopted at the session of the stockholders’ meeting, if the voting results and the content of such resolutions may be established otherwise.
7.1.6. Regular session of the stockholders’ meeting

Holding of a session

Article 364

A regular session of the stockholders’ meeting shall be held once a year, but no later than within six months from the end of a business year.

Failure to hold a regular session shall have no effect on the legal validity of the legal transactions, actions and resolutions of the company.

Convocation of a session and an invitation for the session

Article 365

A regular session of the stockholders’ meeting shall be convened by the board of directors, that is, supervisory board, in case of a two-tier board system.

An invitation for the session shall be sent within no later than 30 days prior to the session.

Attendance of a session by other persons

Article 366

As a rule, directors and members of the supervisory board, if the company has a two-tier board system attend the sessions, together with the company auditor who is notified of the session within the term from Article 365, Paragraph 2 of this law.

Material for the session

Article 367

The board of directors, that is, the executive board shall be obliged to make available to the stockholders the following documents and information for the session:

1) financial statements with an auditor’s opinion, if the audit of financial statements is mandatory for the company in compliance with the law governing accounting and audit;
2) a draft resolution on the allocation of profits, if generated;
3) the wording of each draft resolution proposed for adoption, with a rationale therefor;
4) the wording of each agreement or any other legal transaction proposed for approval;
5) a detailed description of each issue proposed for debate, accompanied by a comment or an opinion of the board of directors, that is, executive board, and supervisory board if the company has a two-tier board system;
6) in the case of a public joint stock company, a report by the board of directors, that is, executive board on the financial standing and operations of the company, produced pursuant to the law governing capital markets (annual business report), and a consolidated annual financial account if the company has to produce it pursuant to the law governing capital markets (consolidated annual business report);
7) in the case of a public joint stock company, a report by the supervisory board on the operations of the company and performed supervision over the work of the executive board, if the company has a two-tier board system.
The material referred to in Paragraph 1 items 1) through 4) and item 6) of this Article shall be agreed by the supervisory board beforehand, if the company has a two-tier board system.

Apart from the documents and information referred to in Paragraph 1 of this Article, such other documents and information as the board of directors, that is, executive board or supervisory board if the company has a two-tier board system deems to be of relevance for the work and decision-making of the stockholders’ meeting of the company, shall also be made available to the stockholders.

Statement on the application of the corporate management code

Article 368

The statement on the application of the corporate management code shall constitute an integral part of the annual business report of a public joint stock company, and shall contain in particular:

1) information on the code of corporate management that the company applies and the location where the code will be available to the public;
2) all important information of the practices of corporate management implemented by the company, and in particular those which are not expressly prescribed by the law;
3) deviations from the corporate management code from item 1 of this Article, if any, and explanations in respect of these deviations.

Publication of annual business reports of the company

Article 369

A public joint stock company shall be obligated to publish the annual business report and consolidated annual business report in keeping with the law governing capital markets, and to register them in line with the law on registration.

Adoption of annual financial statements and other reports

Article 370

The adoption of the annual financial statements or other reports referred to in Article 367 Paragraph 1 hereof shall not affect the stockholders’ rights if such statements and reports later prove to be incorrect.

Until the adoption of annual financial statements, the stockholders’ meeting may not adopt a resolution on the allocation of profits, and if the statements are not adopted until the expiry of the deadline for the holding of the regular session of the stockholders’ meeting referred to in Article 364 Paragraph 1 hereof, the board of directors, that is, supervisory board if the company has a two-tier board system, may not adopt a resolution on the distribution of an interim dividend upon the expiry of this deadline.

7.1.7. Extraordinary session of the stockholders’ meeting

Holding of a session

Article 371

An extraordinary session of the stockholders’ meeting shall be held as needed and when so prescribed by this law or the articles of association.
The board of directors, that is, supervisory board if there is a two-tier board system, shall be obliged to convene without delay an extraordinary session of the stockholders’ meeting if in the preparation of annual or other financial statements that the company is to compile in accordance with the law, it establishes that the company operates at a loss due to which the net assets of the company are below 50% of the company’s share capital, where the invitation for the session of the stockholders’ meeting shall indicate that the session is convened for that reasons, and a resolution on the liquidation of the company, that is, a resolution on such other measures as the board of directors, that is, the executive board in case of the two-tier board system, proposes to be taken in connection therewith, shall be included in the Agenda of that session.

Convocation of a session

Article 372

An extraordinary session shall be convened by the board of directors, that is, the supervisory board, in case of a two-tier board system:
1) pursuant to its own resolution;
2) at the request of the stockholders that hold a minimum of 5% of the share capital of the company, that is, stockholders that hold a minimum of 5% of the stocks within the class with the power to vote on the items of the draft agenda, unless the articles of association envisage a lower participation in the share capital of the company, that is, a smaller number of stocks within the class with the power to vote on the items on the draft agenda.

The request referred to in Paragraph 1 item 2) of this Article shall include the details of each proponent in accordance with Article 266 of this law and a reasoned draft agenda for the session.

The proponents of the request referred to in Paragraph 1 Item 2) of this Article may only include the stockholders that acquired such capacity at least three months before the submission of the request and that maintain such capacity until a resolution on the request is adopted.

In the case referred to in Paragraph 1 item 2) of this Article, the agenda of an extraordinary session may be prepared exclusively according to the draft agenda from the request, save for the items that do not fall within the competence of the stockholders’ meeting of the company.

Notwithstanding Paragraph 1 of this Article, an extraordinary session of the company in liquidation shall be convened by the company liquidator.

Sending an invitation for the session

Article 373

An invitation for an extraordinary session shall be sent within no later than 21 days prior to the session.

Material for the session

Article 374

The board of directors, that is, the executive board shall be obliged to prepare and make available to the stockholders the following documents and information for a session of the stockholders’ meeting:
1) the wording of each draft resolution proposed for adoption, with a rationale;
2) the wording of each agreement or any other legal transaction proposed for approval;
3) a ballot sheet;
4) a detailed description of each issue proposed for discussion, accompanied by a statement of reasons and the opinions of the board of directors or supervisory board, in case of the two-tier board system.

The submission of the material for an extraordinary session shall be subject to Article 335 Paragraph 7 hereof.

Extraordinary session of the stockholders’ meeting of a company which is not a public joint stock company

Article 375

In the case of a company which is not a public joint stock company, an extraordinary session may be held even without convocation, inviting the stockholders and submitting the material in accordance with Articles 373 through 374 hereof if attended by all stockholders with the power to vote on all items of the agenda and if no stockholder opposes it, unless otherwise stipulated by the articles of association or the rules of procedure of the stockholders’ meeting.

7.1.8. Annulment of resolutions of the stockholders’ meeting

Right to annulment of a resolution

Article 376

One or more stockholders entitled to participate in the session of the stockholders’ meeting may bring an action before the competent court seeking annulment of the resolution adopted at that session and indemnification if:

1) that session of the stockholders’ meeting was not convened in compliance with this law or the articles of association;
2) such stockholder was prevented by the company or with the knowledge of any director or member of the supervisory board from participating in the session at which the resolution was adopted;
3) the stockholders’ meeting failed to adopt the resolution in accordance with this law, the articles of association or the rules of procedure of the stockholders’ meeting for some other reasons;
4) a resolution of the stockholders’ meeting is in contravention of the law or the articles of association;
5) by exercising the voting power, any stockholder endeavours to gain benefit for itself or a third party at the expense of the company or other stockholders through the adoption or implementation of the resolution;
6) in other cases in compliance with this law.

The action referred to in Paragraph 1 of this Article may also be filed by each director or member of the supervisory board, in case of the two-tier system, if by executing the resolution:

1) he/she would commit a criminal offence or some other offence punishable by law; or
2) he/she is liable for the damage to the company or a third party.

The action referred to in Paragraph 1 of this Article may be filed within 30 days from the date of learning the stockholders’ meeting resolution, that is, from the registration date if the
resolution was registered in accordance with the law on the registration, but not later than three months from the resolution date.

The right to file an action referred to in Paragraph 1 of this Article shall not be exercised by the stockholder that:
1) ceased being a stockholder of the company;
2) voted for the proposed resolution, provided that this fact may be verified by inspecting the minutes from the session or the report of the voting commission;
3) attended the session, if he/she challenged the resolution in accordance with Paragraph 1 item 2) of this Article.

If in the course of the proceedings related to the action referred to in Paragraph 1 of this Article, the claimant ceases being a stockholder of the company, the competent court shall dismiss the motion for the annulment of the resolution and shall decide a claim for damages if such a claim has been made.

Consequences of the action for annulment of the resolution

Article 377

The filing of an action for annulment of a resolution shall not prevent the execution or registration of the resolution, that is, registration of a change based thereon in accordance with the law on registration.

At the request of the persons entitled to challenge the resolution in accordance with Article 376 of this law, the competent court may impose an injunction banning the execution, that is, registration referred to in Paragraph 1 of this Article.

At the request of the person that filed an action for annulment of the resolution, the registration of the dispute shall be made in compliance with the law on registration.

Proceedings under the action

Article 378

The proceedings under the action shall be urgent.

If more than one action has been filed for annulment of the same resolution, the proceedings shall be merged.

Consequences of a court ruling repealing the resolution

Article 379

The part of the ruling repealing the resolution produces effect towards the company, stockholders, directors and members of the supervisory board, in case of two-tier board system.

If the repealed resolution was registered in accordance with the law on registration, the competent court shall submit the ruling referred to in Paragraph 1 of this Article to the companies register once it becomes final for the purpose of registration in the accordance with the law on registration.
In the case referred to in Paragraph 1 of this Article, the rights acquired by *bona fide* third parties based on the repealed resolution, that is, execution thereof shall continue in force and effect.

**Annulment of a resolution on the adoption of annual financial statements of the company**

Article 380

If the resolution on the adoption of annual financial statements of the company was repealed by a ruling, the resolution on the allocation of profits for that business year shall also be deemed repealed by the same ruling and the stockholders shall be obligated to return to the company the dividend received on the basis of that resolution within 30 days from the date of effectiveness and validity of the ruling.

**Cases in which a resolution shall not be repealed**

Article 381

A resolution of the stockholders’ meeting of the company shall not be repealed:

1) if it is in minor breach of the articles of association or the rules of procedure of the stockholders’ meeting and as a result of the resolution or execution thereof, the right of the claimant or some other person entitled to file an action in accordance with Article 376 of this law has not been infringed or has been infringed to a lesser extent;

2) if the stockholders not entitled to participate in the work of the stockholders’ meeting did participate in the work of the stockholders’ meeting in line with this law, unless their participation was of decisive importance for the provision of the quorum for the work of the stockholders’ meeting, or for the passing of the concerned resolution;

3) in the event of invalid individual votes or miscounting of votes, unless they were decisive in terms of providing the quorum or requisite majority for the adoption of a resolutions;

4) if the minutes are incomplete or incorrect, unless the determination of the content of the adopted resolution, that is, establishment of the grounds for the challenging thereof are thereby prevented;

5) if replaced by some other resolution adopted in accordance with this law, the articles of association and the rules of procedure,

6) in the event of a resolution on a new issue of securities by public offer, if the issue was successful within the meaning of the law governing the capital market;

7) in case of status changes, due to the disproportion in the exchange of shares, or stocks.

In the case referred to in Paragraph 1 of this Article, the court shall decide on the claim for damages if such a claim has been made.

In the case referred to in Paragraph 1 item 5) of this Article, the court shall deliver a ruling binding the sued company to bear the costs of the dispute and shall decide on the claim for damages if such a claim has been made, and the rights acquired by *bona fide* third parties on the basis of the replaced resolution, that is, execution thereof, shall continue in force and effect.

7.2. One-tier board system
7.2.1. Directors and the board of directors

Who may be a director
Article 382
Any person with work ability may be a director. The articles of association may lay down the conditions that a particular person must fulfil to perform the duties of a director. Director may not be a person:
1) who is a director or a member of the supervisory board in more than five companies;
2) sentenced for an economic offence during the period of five years, as of the date of finality of the ruling, provided that this period does not cover any prison time served;
3) subject to a security injunction prohibiting him/her from conducting the activity which constitutes the core business activity of the company for the duration of the injunction.

Number of directors
Article 383
A company shall have one or more directors whose number is laid down by the articles of association.
If a company has three or more directors, they make up the board of directors of the company.
The provisions of this law in respect of the board of directors, with the exception of provisions regarding sessions of the board of directors, shall apply accordingly to a company that has one or two directors.
A public joint stock company shall have a board of directors which comprises a minimum of three directors.
A director shall be registered in keeping with the law on registration.

Election of directors
Article 384
Directors shall be elected by the stockholders’ meeting. Director candidates shall be nominated by:
1) a director, that is, the board of directors; or
2) the appointment commission, if any; or
3) the stockholders entitled to propose an agenda for the stockholders’ meeting of the company.
In a public joint stock company, director candidates may be nominated by the appointment commission or the stockholders entitled to propose an agenda for a session of the stockholders’ meeting of the company.
In a public joint stock company, directors shall be elected by the cumulative vote, if so prescribed by the articles of association.
Term of office of directors
Article 385
Directors shall be appointed for a period stipulated by the articles of association, which period may not be longer than four years (the term of office of directors).
If the length of the term of office of directors is not stipulated by the articles of association or a resolution of the stockholders’ meeting on the election of directors, the term of office shall be four years.
Upon the expiry of the term of office, a director may be re-elected.

Cooptation of directors
Article 386
If the number of directors falls below the number of directors set out in the articles of association, the remainder of the directors may appoint a person, that is, persons to perform the duty of a director until the missing directors are elected by the stockholders’ meeting (cooptation), unless otherwise prescribed by the articles of association.
The number of persons appointed in accordance with Paragraph 1 of this Article may not be higher than two.
Notwithstanding Paragraph 1 of this Article, if the number of elected directors falls below one-half of the directors stipulated by the articles of association, or if it is insufficient for decision-making or joint representation, the remainder of the directors shall be obliged to convene, without delay and no later than within eight days, a session of the stockholders’ meeting to elect the missing directors.
The term of office of a director appointed by cooptation shall terminate at the first forthcoming session of the stockholders’ meeting of the company, and he/she may not be engaged under the conditions which are more favourable for him/her than the conditions under which the director instead of whom he/she is appointed, was engaged.

Executive and non-executive directors
Article 387
Directors may be:
1) executive directors; and
2) non-executive directors.
If a company has less than three directors, each director shall then be an executive director.
A public joint stock company shall have non-executive directors whose number must be higher than the number of executive directors.

Competence of executive directors
Article 388
Executive directors shall conduct the operations of the company and shall be legal representatives of the company, unless it is stipulated by the articles of association that only some executive directors may represent the company.

If a company has two or more executive directors, they shall jointly conduct the operations of and represent the company, unless otherwise stipulated by the articles of association or a resolution of the stockholders’ meeting.

A legal transaction or an action undertaken against an executive director authorized for representation shall be deemed to have been taken against the company.

In conducting the operations of the company, executive directors shall comply with the limitations prescribed by this law, the articles of association, resolution of the company stockholders’ meeting or resolution of the board of directors.

Pursuant to the articles of association, resolution of the stockholders’ meeting or resolution of the board of directors, the powers of particular or all executive directors in representing the company may be also limited by the co-signature of a procurator.

An executive director may neither grant power of attorney for representation nor represent the company in a dispute in which it is the opposing party, and if the company has no other executive director authorized for representing the company; such power of attorney shall be issued by the stockholders’ meeting of the company.

**Director general**

*Article 389*

Directors may appoint one of the executive directors authorized for representing the company as director general of the company.

The director general of the company shall coordinate the work of executive directors and organize the operations of the company.

The articles of association or a resolution of the stockholders’ meeting may lay down the terms for the election of a director general and specify his/her authorizations and competences.

**Non-executive directors**

*Article 390*

Non-executive directors shall oversee the work of executive directors, propose a business strategy of the company and supervise the implementation thereof.

Non-executive directors shall decide on granting approvals in the cases in which there exists a personal interest of an executive director of the company in accordance with Article 66 of this law.

**Who may not be a non-executive director**

*Article 391*

A person employed in the company may not be a non-executive director.

**Independent directors**

*Article 392*

A public joint stock company shall have at least one non-executive director who is concurrently independent from the company (an independent director).
An independent director shall be understood to mean a person who is not related to directors, and over the past two years has not:

1) been a director or employed in the company or some other company related to the company in terms of this law;

2) owned more than 20% of the share capital, and has not been employed or otherwise engaged with some other company which has generated more than 20% of its annual revenues from the company over that period;

3) received from the company or persons related to the company in terms of this law payments, that is, claimed from such persons the amounts that account for the total of 20% of its annual revenues over that period;

4) has not owned more than 20% of the share capital of a company related to the company in terms of this law;

5) has not been engaged in the conduct of the audit of the company’s financial statements.

If, during his/her term of office, an independent director no longer fulfils the conditions set out in Paragraph 2 of this Article, such person’s capacity of an independent director shall terminate and he/she shall continue to perform his/her duties as a non-executive director if he/she meets the conditions for a non-executive director, that is, an executive director if he/she meets the conditions for an executive director.

If the person referred to in Paragraph 3 of this Article fails to meet the conditions for a director of the company, his/her term of office as director shall be deemed to have expired as of the date he/she ceased meeting such conditions.

If, for any reason whatsoever, a public joint stock company is left without at least one independent director, the remainder of the directors shall, if they do not appoint the missing independent director by co-optation, be obligated to convene an extraordinary session of the stockholders’ meeting for the purpose of electing one, within 30 days from the date of learning the reasons for the cessation of the capacity of an independent director.

A public joint stock company shall be obligated to elect a new independent director within 60 days from the date of learning the reasons for the cessation of the capacity of an independent director.

Remuneration for the work of directors and incentive (bonus) by means of awarding stocks

Article 393

A director is entitled to the remuneration for his/her work and may be entitled to an incentive by means of awarding stocks.

The articles of association or a resolution of the stockholders’ meeting shall determine the remuneration and incentive set out in Paragraph 1 of this Article or the method the remuneration is determined.

The amount of the remuneration referred to in Paragraph 1 of this Article may depend on the company’s operating results, but the remuneration and incentives from Paragraph 1 of this Article may not be determined as a share in the company’s profits.

The incentive set out in Paragraph 1 of this Article may also be determined in stocks, that
is, warrants of the company or some other company related thereto.

In a public joint stock company, the remuneration and incentive referred to in Paragraph 1 of this Article shall be separately presented in the company’s annual financial statements, in the part where it was determined in stocks, with a note on the type, class, number and par value, that is, accounting value of non-par stocks, of the stocks acquired by the director, or to the acquisition of which he/she is entitled.

Termination of the term of office
Article 394

The term of office of a director shall terminate upon the expiry of the period for which he/she was elected.

If, during his/she term of office, a director ceases fulfilling the conditions for performing the duty of a director, his/her term of office shall be deemed to have terminated as at the date he/she ceased fulfilling such conditions.

The term of office of a director shall terminate if the stockholders’ meeting fails to adopt the company’s annual financial statements within the deadline set for holding a regular session of the stockholders’ meeting.

Unless otherwise prescribed by the articles of association, the appointment of a director upon the termination of the term of office shall be carried out at the first upcoming session of the stockholders’ meeting, during which time the director whose term of office terminated, shall continue to perform his/her duty if his/her position was not filled in by co-optation.

Dismissal of a director
Article 395

The stockholders’ meeting of the company may dismiss a director even prior to the expiry of the term of office for which he/she was elected without a stated reason.

Resignation of a director
Article 396

A director may resign at any time by giving written notice to the remaining directors.

In single director companies, the director shall resign by giving notice to the chairperson of the company stockholders’ meeting or to the stockholder of the company with the largest number of stock with voting rights.

The resignation shall produce effect as of the date of submission, unless a later date is specified in the notice.

The resignation of a director shall be registered pursuant to the law on registration.

If the sole director of the company resigned, he/she shall continue to conduct the activities which may not be postponed until a new director is elected, but not for more than 30 days from the date of registration of the resignation, in line with the law on resignation.

Termination of the term of office of a director in a single director company
Article 397
If a single director company is left without the director or the director resigned and a new director is not elected within a further 30-day deadline, a stockholder or some other interested party may seek that director of the company be appointed by the court in out-of-court proceedings within eight days.

If, within 60 days from the date when the company was left without the sole director, a new director is not elected or the court fails to appoint one in accordance with Paragraph 1 of this Article, the companies register shall, *ex officio* or at the request of an interested party, institute a procedure for forced liquidation of the company.

**Competences and responsibilities of the board of directors**

**Article 398**

The board of directors shall:

1. define a business strategy and business objectives of the company;
2. conduct the company’s operations and define the international organization of the company;
3. perform internal supervision over the company’s operations;
4. establish the company’s accounting policies and risk management policies;
5. be responsible for the accuracy of the business books of the company;
6. be responsible for the accuracy of financial statements of the company;
7. issue and revoke a procuration;
8. convene sessions of the company stockholders’ meeting and determine a draft agenda;
9. issue authorized stocks if so empowered by the articles of association or a resolution of the stockholders’ meeting;
10. determine the issue price of stocks and other securities in accordance with Article 261 Paragraph 3 and Article 264 Paragraph 4 hereof;
11. establish the market value of stocks in accordance with Article 260 hereof;
12. decide on the acquisition of own stocks in accordance with Article 283 Paragraph 3 hereof;
13. calculate dividend amounts which, in compliance with this law, the articles of association and a resolution of the stockholders’ meeting, belong to certain classes of stockholders, determine the date and procedure of payment thereof and define the method of payment thereof within the scope of authorizations conferred upon him/her by the articles of association or a resolution of the stockholders’ meeting;
14. adopt a resolution on the distribution of interim dividends to the stockholders, in the case referred to in Article 274 Paragraph 2 hereof;
15. propose to the stockholders’ meeting a policy of remuneration for the directors, if not defined by the articles of association, and propose contracts on the employment, that is, engagement of directors;
16. implement resolutions of the stockholders’ meeting of the company;
17. perform other duties and adopt resolutions in compliance with this law, the articles of association of the company and resolutions of the stockholders’ meeting.

The matters falling within the competence of the board of directors:

1. may not be delegated to the executive directors of the company; and
2) may be transferred into the competence of the stockholders’ meeting of the company only by a resolution of the board of directors, unless otherwise prescribed by the articles of association.

Duty of reporting to the stockholders’ meeting of the company

Article 399

The board of directors shall, at a regular session of the stockholders’ meeting, submit reports on the following:

1) the accounting and financial reporting practices of the company and related companies thereof, if any;
2) compliance of the company’s operations with the law and other regulations;
3) the company auditor’s qualification and independence from the company, if the financial statements of the company were subject to an audit;
4) agreements concluded between the company and directors, as well as persons related to them in terms of this law.

Chairperson of the board of directors

Article 400

If a company has a board of directors, the directors shall elect one of directors as chairperson of the board.

In a public joint stock company the chairperson of the board of directors has to be one of non-executive directors.

The chairperson of the board of directors shall convene and chair board sessions, propose an agenda and be responsible for the keeping of the minutes from board sessions.

The board of directors may dismiss and elect a new chairperson of the board at any time, without a stated reason.

If the chairperson of the board is absent, each of the directors may convene a board session and one of the directors shall be elected chair by a majority vote of the attending directors at the beginning of the session, and who, in a public joint stock company has to be a non-executive director.

In a public joint stock company, the chairperson of the board of directors shall represent the company in relations with the executive directors in the manner prescribed by the articles of association, a resolution of the stockholders’ meeting or a unanimous resolution of the non-executive directors.

The chairperson of the board of directors has to be registered in line with the law on registration.

Method of work of the board of directors

Article 401

The articles of association may regulate the method of work of the board of directors and the board of directors may also adopt rules of procedure which must comply with this law and the articles of association of the company (the rules of procedure of the board of directors).

The board of directors of a public joint stock company shall adopt the rules of procedure at its first session.
Sessions of the board of directors
Article 402

The board of directors of a public joint stock company shall hold at least four sessions a year.

If the chairperson of the board of directors fails to convene a board session at the written request of any director, so that the session is held within 30 days from the date the request was forwarded, a session may also be convened by that director stating the reason for convening the session and proposing an agenda.

Convocation of a session of the board of directors
Article 403

A written invitation for a board of directors session including the agenda and material for the session shall be sent to all directors within the time frame set out in the articles of association or the rules of procedure of the board of directors, and if such time frame is not prescribed, the invitation shall be delivered no later than eight days prior to the session date, unless otherwise agreed by all directors.

Resolutions adopted at a session of the board of directors which has not been convened in accordance with this law, the articles of association or the rules of procedure of the board of directors shall not be valid, unless otherwise agreed by all directors.

Quorum for and method of holding sessions of the board of directors
Article 404

A majority of the total number of directors shall constitute a quorum for a session of the board of directors, unless a higher number is prescribed by the articles of association or the rules of procedure of the board of directors.

Sessions of the board of directors may also be held in writing or electronically, and by phone, telegraph, fax or some other means of audio-visual communication, provided none of the directors oppose it in writing, unless otherwise prescribed by the articles of association or the rules of procedure of the board of directors.

Absent directors may also vote in writing when they are deemed to have attended the session for the needs of providing a quorum, unless otherwise prescribed by the articles of association or the rules of procedure of the board of directors.

Attendance of other persons of board of directors sessions
Article 405

Apart from directors, sessions of the board of directors may also be attended by members of the commissions of the board of directors, if the issues falling within the competence of a particular commission are on the agenda.

The attendance of the company auditor of a session of the board of directors at which the company’s financial statements are discussed, shall be mandatory.
Sessions of the board of directors may also be attended by other expert persons, if so required, to discuss certain issues on the agenda, but only if invited by the chairperson of the board of directors.

Decision-making at sessions of the board of directors

Article 406

The board of directors shall adopt resolutions by a majority vote of the directors in attendance, unless a greater majority is prescribed by the articles of association or the rules of procedure.

If during decision-making, the votes of directors are evenly distributed, the chairperson of the board of directors shall have the casting vote, unless otherwise prescribed by the articles of association or the rules of procedure.

The minutes from a session of the board of directors

Article 407

The minutes of a session of the board of directors shall be kept, which shall particularly include the time and place of the session, agenda, list of absent and attending resolutions adopted, as well as separate opinions of certain directors, if any.

The minutes shall be signed by the chairperson of the board of directors, that is, the director who, in his/her absence, chaired the session, and shall be delivered to each director.

The chairperson of the board of directors shall be obliged to deliver the minutes from the session to all directors within eight days from the session date, unless some other deadline is prescribed by the articles of association or the rules of procedure of the board of directors.

Non-compliance with the provisions of this Article on the keeping, signing and delivery of the minutes from sessions of the board of directors shall not affect the validity of adopted resolutions.

Commissions of the board of directors

Article 408

The board of directors may set up commissions to assist it in its work, particularly for the purpose of preparing the resolutions it adopts, overseeing the implementation of certain resolutions or performing particular expert tasks for the needs of the board of directors.

Directors or other natural persons with the knowledge and work experience which is of importance for the work of the commission may be commission members.

The commissions may not decide on the issues which fall within the competence of the board of directors.

The commissions shall regularly report on their work to the board of directors in accordance with the resolution on the set-up thereof.

Commissions of the board of directors in a public joint stock company

Article 409

The board of directors of a public joint stock company shall set up an audit commission.

Beside the audit commission from Paragraph 1 of this Article, the board of directors of a public joint stock company may also set up:
1) an appointment commission;
2) a remuneration commission;
3) other commissions, in line with the requirements of a company, if so provided for in the articles of association.

If the commission from Paragraph 2 of this Article are not set up in a public joint stock company, the board of directors shall discharge duties of these commissions.

Composition of the board of directors’ commissions

Article 410

The commissions of the board of directors shall have at least three members, and in the case of a public joint stock company, one of these members shall always be an independent director.

Executive directors shall not participate in adopting a resolution on the set-up of the commissions referred to in Article 409 of this law, nor may they nominate members of such commissions.

Notwithstanding Article 408, Paragraph 2 of this law, in a public joint stock company non-executive directors shall make majority members of the audit commission, appointment commission and remuneration commission.

In a public joint stock company a chairperson of the audit commission shall be an independent director.

At least one member of the audit commission has to be a chartered auditor pursuant to the law regulating the accounting and auditing, or a person with corresponding knowledge and work experience in the field of finance and accounting, and shall be also independent from the company within the meaning of Article 392 of this Law.

A person employed with or otherwise engaged by a legal entity in charge of the audit of financial statements of the company may not be member of the audit commission.

In a public joint stock company, if no one among executive directors meets conditions from Paragraph 5 of this Article, the member of the audit commission who meets the conditions from that Paragraph shall be elected by the stockholders’ meeting.

Audit commission

Article 411

The audit commission shall:
1) prepare, propose and control the implementation of the accounting policies and risk management policies;
2) forward a proposal to the board of directors for the appointment and dismissal of members of the internal control bodies of the company;
3) oversee the work of the internal control of the company;
4) review the application of the accounting standards in the preparation of financial statements and assess the content of financial statements;
5) review compliance with the conditions for the preparation of consolidated financial statements of the company;
6) conduct the procedure for the election of a company auditor and nominate a company auditor candidate with an opinion of his/her expertise and independence from the company;
7) provide an opinion on a draft contract with the company auditor and if necessary, provide a reasoned proposal for cancelling the contract with the company auditor;

8) oversee the audit procedure and determine the key issues to be subject to audit and verify the auditor’s independence and impartiality;

9) perform such other tasks which fall within the scope of audit as are entrusted thereto by the board of directors.

The audit commission shall prepare and submit to the board of directors reports on the issues referred to in Paragraph 1 of this Article at least once a year, unless the articles of association or a resolution of the board of directors stipulate that all or individual reports be prepared and submitted within shorter periods of time.

Appointment commission
Article 412

The appointment commission shall:
1) nominate a director candidate, with its opinion and recommendation for election;
2) propose the conditions which a director candidate shall fulfil and the procedure for the election of a director;
3) prepare, at least once a year, a report on the adequacy of the composition of the board of directors and the number of directors, and provide recommendations in connection therewith;
4) consider personnel policy of the company in terms of appointment of managing personnel in the company and perform such other tasks related to the personnel policy of the company as are entrusted thereto by the board of directors.

The board of directors shall include in the agenda of the first forthcoming session of the stockholders’ meeting of the company a review of the proposals and reports referred to in Paragraph 1 Items 1) through 3) of this Article.

Remuneration commission
Article 413

The remuneration commission shall:
1) draw up a draft resolution on the policy of remuneration for executive directors;
2) propose the amount and structure of the remuneration for each individual executive director, and the remuneration for the company auditor;
3) at least once a year, prepare a report for the stockholders’ meeting of the company on the assessment of the amount and structure of the remuneration for each director;
4) provides recommendations to executive directors in terms of the amount and structure of the remuneration for the managing personnel, and performs such other tasks related to the remuneration policies of the company as are entrusted thereto by the board of directors.

The board of directors shall include in the agenda of the first forthcoming session of the stockholders’ meeting of the company a review of the proposals and reports referred to in Paragraph 1 items 1) through 3) of this Article.

Method of work of the commissions of the board of directors
Article 414

The commissions of the board of directors shall adopt resolutions by a majority vote of the total number of members.

In the event of an even distribution of votes, the chairperson of the commission shall have the casting vote.

Only commission members and expert persons who have been unanimously invited by the commission members to participate in a particular session may attend commission sessions if their presence is required for addressing certain issues on the agenda.

Responsibility of a director

Article 415

A director shall be responsible to the company for any damage he/she may incur thereto through breach of the provisions of this law, the articles of association or a resolution of the stockholders’ meeting.

If the damage referred to in Paragraph 1 of this Article results from a resolution of the board of directors, all the directors who voted for the resolution shall be responsible for the damage.

In the case set out in Paragraph 2 of this Article, a director who abstained shall be deemed to have voted for the resolution in terms of the responsibility for the damage.

In the case referred to in Paragraph 2 of this Article, if a director did not attend the board of directors session at which the resolution was adopted or did not otherwise vote for it, he/she shall be deemed to have voted for the resolution in terms of the responsibility for the damage, if he/she failed to oppose the resolution in writing no later than within a period of eight days from the moment he/she had become aware of its adoption.

The approval of a tort or omission from Paragraph 1 of this Article by the board of directors shall not preclude the responsibility for the damage, but the responsibility for the damage referred to in Paragraph 1 of this Article shall not be deemed to exist if a tort or omission by a director is based on a resolution of the stockholders’ meeting of the company.

The company’s claim for damages shall become statute-barred in accordance with this Article within three years, counting from the date the damage was incurred.

A company may not waive a claim for damages other than in accordance with a resolution of the stockholders’ meeting of the company which is passed by a three-fourths majority of the vote of the stockholders in attendance, but such a resolution may not be passed if the stockholders that hold or represent at least 10% of the share capital of the company oppose it.

Reports by executive directors

Article 416

Unless otherwise stipulated by the articles of association or a resolution of the board of directors, executive directors shall report in writing to the board of directors on the following:
1) the planned business policy and other issues in principal which pertain to the current and future conduct of operations and on deviations from earlier projections quoting reasons therefor, at least once a year, unless changed circumstances require an extraordinary report;

2) the profitability of the company’s operations, for a session of the board of directors discussing the financial statements of the company;

3) the operations, revenues and financial standing of the company, on a quarterly basis;

4) the operations and business transactions that are underway or pending, which may be of great importance for the activities and liquidity of the company and the profitability of its operations, when such circumstances occur or are expected to occur;

5) other issues related to their work on which the board of directors or any director required special reports.

The reports referred to in Paragraph 1 of this Article shall also pertain to subsidiaries, if any.

The chairperson of the board of directors shall inform the remaining directors of the received or requested reports by executive directors immediately when so practicable, but no later than the first upcoming session of the board of directors.

Each director is entitled to inspect the submitted reports referred to in Paragraph 1 of this Article and to a copy of the reports, unless the board of directors decides otherwise.

The board of directors may decide to have certain reports also delivered to the commissions of the board of directors, if the directors deem it as necessary for their work.

7.3. Two-tier board system

Company bodies

Article 417

A company with a two-tier board system has one or more executive directors, that is, executive board, and a supervisory board.

7.3.1. Executive directors

Who may be an executive director

Article 418

Executive directors shall be subject to the provisions of Article 382 hereof governing the conditions for the election of a director of the company.

Number of executive directors and the executive board

Article 419
A company shall have one or more executive directors, whose number is laid down by the articles of association. Executive directors may have no deputies. If a company has three or more executive directors, they make up an executive board of the company. A public joint stock company shall have an executive board which comprises at least three executive directors.

Election of executive directors
Article 420
Executive directors shall be elected by the supervisory board of a company.

The appointment commission, if any, shall nominate an executive director candidate. If no appointment commission has been set up in the company, each member of the supervisory board may nominate an executive director candidate.

Term of office of a director
Article 421
The provisions of Article 385 of this law shall apply accordingly to the term of office of executive directors.

Competences of executive directors
Article 422
The provisions of Article 388 hereof shall apply accordingly to the competences of executive directors, unless otherwise stipulated in this Article.

The performance, that is, undertaking of the following tasks requires the consent of the supervisory board:
1) acquisition, disposal and encumbrance of shares and stocks that the company holds in other legal entities;
2) acquisition, disposal and encumbrance of immovable property;
3) taking credits, that is, taking and granting loans, establishing securities over the company’s assets, and granting sureties and guarantees for the third party liabilities;
4) other tasks falling under the competence of the supervisory board in line with this law.

The articles of association or a resolution of the supervisory board may stipulate:
1) the approval of the supervisory board is not needed for transactions from Paragraph 2, items 1) through 3) hereof, if these transactions are carried out within the ordinary course of business of a company; and
2) the value of the tasks from Paragraph 2, item 3 of this Article that may be discharged or undertaken without the approval of the supervisory board.

The articles of association or a resolution of the supervisory board may define other tasks that may be discharged or carried out with the approval of the supervisory board.

In conducting the operations of the company, executive directors shall observe the limitations with respect to undertaking certain transactions or types of transactions which require the consent of the supervisory board or the stockholders’ meeting of the company, and which are
laid down by this law, the articles of association, resolutions of the stockholders’ meeting and resolutions of the supervisory board.

Pursuant to the articles of association, a resolution of the stockholders’ meeting or a resolution of the supervisory board, if the supervisory board is so authorized by the articles of association, the powers of some or all executive directors in representing the company may be limited even by the co-signature of a procurator.

An executive director may not grant power of attorney for representation nor represent the company in a dispute in which it is the opposing party, and in case the company has no other executive director authorized for representing the company, such power of attorney shall be issued by the supervisory board.

Director general

Article 423

The supervisory board may appoint one of the executive directors authorized for representing the company as director general of the company.

The supervisory board shall appoint a director general if the company has an executive board.

The director general shall coordinate the work of executive directors and organize the company’s operations.

If a session of the executive board is held, the director general shall chair the session and propose an agenda.

If the director general is absent, each of the executive directors may convene an executive board session, and one of the executive directors shall be elected chair by a majority vote of the executive directors in attendance at the beginning of the session.

Articles of association, a resolution of the stockholders’ meeting and a resolution of the supervisory board may determine the conditions for the election of a director general and specify his/her authorizations and competences.

Director general has to be registered in line with the law on registration.

Remuneration for the work of executive directors

Article 424

The provisions of Article 393 hereof shall apply accordingly to the remuneration for the work of executive directors, unless otherwise stipulated by this Article.

The amount of the remuneration referred to in Paragraph 1 of this Article or the manner of determination thereof shall be determined by articles of association, a resolution of the stockholders’ meeting or a resolution of the supervisory board.

Termination of the term of office and dismissal of executive directors

Article 425

The term of office of an executive director shall terminate upon the expiry of the period for which he/she was elected.

If, during his/her term of office, an executive director ceases to fulfil the conditions for an executive director of the company, his/her term of office shall be deemed to have terminated as at the date he/she ceased fulfilling such conditions.
The supervisory board may dismiss an executive director even prior to the expiry of the term of office for which he/she was elected without a stated reason.

Resignation by an executive director
Article 426

An executive director may, at any time, resign by giving written notice to the supervisory board.

The resignation produces effect as of the date of submission, unless a later date is specified in the notice.

If the sole executive director of the company submitted his/her resignation, he/she shall be obliged to continue to conduct the activities which may not be postponed until a new director is elected, but not for more than 30 days.

If within 60 days from the date when the company was left without the sole executive director, a new executive director is not elected, the companies register shall institute a procedure for forced liquidation of the company *ex officio* or at the request of an interested party.

Competences and responsibilities of the executive board
Article 427

The executive board shall:

1) conduct the operations of the company and establish the internal organization of the company;
2) be responsible for the accuracy of the business books of the company;
3) be responsible for the accuracy of financial statements of the company;
4) prepare sessions of the stockholders’ meeting of the company and propose an agenda to the supervisory board;
5) calculate the dividend amounts which in accordance with this law, the articles of association and the resolution of the stockholders’ meeting, belong to certain classes of stockholders and determine the date and procedure of payment thereof, and shall also define the method of payment thereof within the scope of authorizations he/she is conferred upon by the articles of association or the resolution of the stockholders’ meeting;
6) execute resolutions of the stockholders’ meeting of the company;
7) perform other tasks and adopt resolutions in accordance with this law, the articles of association, resolutions of the stockholders’ meeting and resolutions of the supervisory board.

The issues falling within the competences of the executive board may not be delegated to the supervisory board of the company.

Company with one or two directors
Article 428

The provisions of this law governing the executive board shall apply accordingly to a company with one or two executive directors, save for the provisions regulating sessions of the executive board.
Method of work of the executive board
Article 429
The executive board shall act independently in conducting the operations of the company.
The executive board shall decide and act outside sessions.
If executive directors disagree on a certain issue, the director general may convene a session of the executive board.
At the session referred to in Paragraph 2 of this Article, a resolution is adopted by a majority vote of the executive directors and in the event of an even distribution of votes, the director general shall have the casting vote.
The provisions of Article 404 hereof shall apply accordingly to the quorum for and method of holding the sessions referred to in Paragraph 2 of this Article.
The articles of association and a resolution of the supervisory board may regulate the method of work of the executive board, and the executive board may adopt rules of procedure which shall comply with this law, the articles of association and supervisory board resolutions (the rules of procedure of the executive board).

Responsibility of a director
Article 430
The provisions of Article 415 of this law shall apply accordingly to the responsibility of executive directors.

Reports by executive directors
Article 431
The provisions of Article 416 hereof shall apply accordingly to the reporting duty of executive directors.

7.3.2. Supervisory board
Who may be a member of the supervisory board
Article 432
The provisions of Articles 383 and 391 hereof shall apply accordingly to supervisory board members.

Composition of the supervisory board
Article 433
The supervisory board shall comprise at least three members.
The number of supervisory board members shall be determined by the articles of association of the company and shall be an odd number.
Supervisory board members may have no deputies.
Supervisory board members may not be executive directors or procurators of the company.
Supervisory board members shall be registered in line with the law on registration.
Election of supervisory board members
Article 434
Supervisory board members shall be elected by the stockholders’ meeting.
A candidate for a supervisory board member shall be nominated by:
1) supervisory board; or
2) appointment commission, if any; or
3) stockholders entitled to propose an agenda for a session of the stockholders’ meeting of the company.

Term of office of supervisory board members
Article 435
The provisions of Article 385 hereof shall apply accordingly to the term of office of supervisory board members.

Co-optation of supervisory board members
Article 436
The provisions of Article 386 hereof shall apply accordingly to the cooptation of supervisory board members.

Independent member of the supervisory board
Article 437
A public joint stock company shall have at least one member of the supervisory board who is independent from the company (an independent member of the supervisory board).
The provisions of Article 392 hereof in respect of an independent director shall apply accordingly to an independent member of the supervisory board.

Remuneration for the work of supervisory board members
Article 438
The provisions of Article 393 hereof on remuneration for directors shall apply accordingly to the remuneration for the work of supervisory board members.

Termination of the term of office and dismissal of supervisory board members
Article 439
The provisions of Article 394 hereof shall apply accordingly to the termination of the term of office and dismissal of supervisory board members.

Resignation by a member of the supervisory board
Article 440
A member of the supervisory may at any time resign by giving written notice to the remaining members of the supervisory board.
The resignation shall produce effect as of the date of submission, unless a later date is specified in the notice.
Competences of the supervisory board

Article 441

The supervisory board shall:
1) define a business strategy and business objectives of the company and shall oversee their fulfilment;
2) oversee the work of executive directors;
3) perform internal control of the company’s operations;
4) establish accounting policies of the company and a risk management policy;
5) verify financial statements of the company and submit them to the stockholders’ meeting for adoption;
6) grant and revoke a procura;
7) convene sessions of the stockholders’ meeting of the company and establish a draft agenda;
8) issue authorized stocks, if so empowered by the articles of association or a resolution of the stockholders’ meeting;
9) determine the issue price of stocks and other securities, in accordance with Article 261 Paragraph 3 and Article 263 Paragraph 4 hereof;
10) determine the market value of stocks in accordance with Article 260 hereof;
11) adopt a resolution on the acquisition of own shares in accordance with Article 283 Paragraph 4 hereof;
12) adopt a resolution on the distribution of interim dividends, in the case referred to in Article 274 Paragraph 2 hereof;
13) propose to the stockholders’ meeting of the company a policy of remuneration for the executive directors, if not prescribed by the articles of association, and propose contracts on the employment, that is, engagement of executive directors;
14) grant consent to the executive directors for undertaking activities or actions in accordance with this law, the articles of association, the resolution of the stockholders’ meeting and resolution of the supervisory board;
15) perform other tasks and adopt resolutions in compliance with this law, the articles of association of the company and resolutions of the stockholders’ meeting.

The matters falling within the competence of the supervisory board:
1) may not be delegated to the executive directors of the company; and
2) may be transferred into the competence of the stockholders’ meeting of the company only by a resolution of the supervisory board, if not stipulated otherwise by the articles of association.

The supervisory board shall decide on granting consent in cases in which there exists a personal interest of a company executive director in accordance with Article 66 hereof.

Duty of reporting to the stockholders’ meeting of the company

Article 442

The provisions of Article 398 hereof shall apply accordingly to the reporting duty of the supervisory board.
Chairperson of the supervisory board  
Article 443

The provisions of Article 400 hereof shall apply accordingly to the chairperson of the supervisory board.

Method of work of the supervisory board  
Article 444

The provisions of Article 401 hereof shall apply accordingly to the method of work of the supervisory board.

Sessions of the supervisory board  
Article 445

The provisions of Articles 402 through 407 hereof shall apply accordingly to sessions of the supervisory board, convocation thereof, the quorum and method of holding thereof, the attendance of other persons, decision-making and the minutes from a session.

Commissions of the supervisory board  
Article 446

The provisions of Articles 408 through 413 hereof shall apply accordingly to the commissions of the supervisory board.

Responsibility of supervisory board members  
Article 447

The provisions of Article 415 hereof shall apply accordingly to the responsibility of supervisory board members.

7.3.3. The company secretary  
Appointment and status  
Article 448

A joint stock company may have a company secretary, if so stipulated by the articles of association.

The company secretary may be employed with the company.

The board of directors, that is, the supervisory board if the company has a two-tier board system shall appoint a secretary to the company, and shall determine the amount of the salary, that is, remuneration and other entitlements.

Term of office of the company secretary  
Article 449

The term of office of the company secretary shall be four years, unless otherwise stipulated by the articles of association or a resolution on appointment.
The provisions of this law governing the termination of the term of office of a company director shall apply accordingly to the consequences of the termination of the term of office of the company secretary.

Competences of a secretary to the company

Article 450

Unless otherwise stipulated by the articles of association or a resolution on appointment, a joint stock company secretary shall be responsible for:

1) the preparation of sessions of the stockholders’ meeting of the company and keeping of the minutes;

2) the preparation of sessions of the board of directors, that is, executive board and supervisory board if the management of the company is two-tier, and keeping of the minutes;

3) the keeping of all material, minutes and resolutions from sessions referred to in items 1) and 2) of this Paragraph;

4) communication between the company and the stockholders and provision of access to the by-laws and documents referred to in item 3) of this Paragraph in accordance with the provisions of Article 465 hereof.

A company secretary may also have other duties and responsibilities in accordance with the articles of association of the company and the resolution on his/her appointment.

7.5. Internal audit of operations

Organisation of internal auditing

Article 451

A company shall define the method of carrying out and organising an internal audit of its operations by means of the company’s by-laws; the company shall also appoint at least one person in charge of internal audit of the company’s operations.

A person from Paragraph 1 of this Article who shall be in charge of an internal audit shall have to fulfil the conditions in terms of professional knowledge and experience, and shall meet the conditions that will make him/her qualified to discharge this duty in the company, and in particular: he/she will be a university graduate with at least three years of work experience, and shall not be convicted of criminal offence that may make him/her unworthy of discharging these tasks.

In addition to the conditions from Paragraph 2 of this Article, the articles of association and other company by-laws may prescribe other conditions for these tasks.

In public joint stock companies at least one person in charge of internal audit shall have to fulfil the conditions prescribed for an internal auditor pursuant to the law governing the accounting and auditing.

A person from Paragraph 4 hereof shall be employed by the company, and shall be nominated by the board of directors, that is, supervisory board, in case of a two-tier board system, upon nomination of the audit commission.

Internal audit tasks

Art 452

The tasks of internal audit shall include in particular:
1) control of compliance of the company’s operations with the law, other regulations and the company’s bylaws;
2) supervision of implementation of accounting policies and financial reporting;
3) control of implementation of risk management policies;
4) monitoring the compliance of the company’s organization and operations with the corporate management code;
5) assessment of policies and processes in a company, and making proposals for their improvement.

A person from Article 451, Paragraph 2 of this law shall regularly report to the audit commission on the conducted supervision, and in companies that do not have the audit commission, he/she shall report to the board of directors, that is, supervisory board in case of the two-tier board system.

7.6. External audit

Audit of financial statements

Article 453

Annual financial statements of public joint stock companies shall be always subject to an audit.

The company’s auditor shall provide the audit commission of a public joint stock company prior to entering into a contract on audit, and after that at least once a year during the term of the contract, with:
1) a written statement evidencing that he/she is independent from the company;
2) information about all services rendered to that company in the preceding period, in addition to the audit of financial statements.

An auditor of a public joint stock company shall notify the audit commission of that company about all circumstances that might have affected his/her independence in respect of the company and the measures that were taken to eliminate those circumstances.

The provisions of this Article shall be applied accordingly to all joint stocks companies whose financial statements are subject to obligatory audit pursuant to the law governing the accounting and auditing.

Termination of auditor’s contract while audit is underway

Article 454

A public joint stock company may not terminate the contract with an auditor while the audit is underway on account of its disagreement with the auditor in respect of financial statements.

Special and extraordinary audit

Article 455

A special audit within the meaning of this law is an audit aimed at controlling:
1) assessment of the value of the in-kind contribution; or
2) values and conditions governing the acquisition and disposal of high value assets from Article 470 of this law.
An extraordinary audit within the meaning of this law is an audit of financial statements that were already subject to audit, which may be undertaken if:

1) there is a suspicion that the audit of financial statements was not carried out pursuant to the law and prescribed accounting standards and procedures; or
2) financial statements do not contain the notes prescribed by the accounting standards, or if these notes are incomplete.

A special audit may be performed within the period of three years from the date of the in-kind contribution, that is, from the acquisition or disposal of high value assets, and an extraordinary audit may be performed within three years from the approval of financial statements that were subject to the audit.

Proposal to carry out special or extraordinary audit  
Article 456

A proposal to carry out a special or extraordinary audit may be made by the stockholders holding or representing at least 10% of the stock with voting rights.

The proposal from Paragraph 1 of this Article, with the statement of reasons behind the proposal to carry out either special or extraordinary audit has to be submitted in writing to the board of directors, that is, supervisory board, in case of a two-tier board system, and the latter shall:

1) put the proposal on the agenda of the first upcoming ordinary stockholders’ meeting, if the term set for the meeting is shorter than 6 months, and if the term for supplementing the agenda referred to in Article 337, Paragraph 2 of this law has not expired; or
2) convene an extraordinary stockholders’ meeting pursuant to Article 371 of this law, if the term set for the meeting is shorter than 6 months, and if the term for supplementing the agenda referred to in Article 337, Paragraph 2 of this law has not expired.

If the board of directors, that is, supervisory board, in case of the two-tier board system, fails to act pursuant to Paragraph 2 of this Article, the stockholders who made the proposal for a special or extraordinary audit may, pursuant to Article 339 of this law, file a request to the competent court to order that an ordinary session of the meeting be held to decide on the proposal from Paragraph 1 of this Article.

If the proposal from Paragraph 1 of this Article is not included in the agenda of an ordinary meeting pursuant to Paragraph 2, Item 1) of this Article, the request from Paragraph 3 of this Article may be filed within 30 days from the date of the relevant session.

Adopting resolutions to perform special or extraordinary audit  
Article 457

A resolution to carry out a special or extraordinary audit shall be passed by the stockholders’ meeting by a simple majority of the present stockholders.

An auditor to carry out a special or extraordinary audit shall be defined by the resolution from Paragraph 1 of this Article.

The auditor from Paragraph 2 of this Article shall not be an auditor who has carried out:

1) assessment of in-kind contribution that is subject to a special audit;
2) audit of financial statements for the period in which high value assets that are subject to a special audit were acquired or disposed;
3) audit of financial statements that are subject to an extraordinary audit.

If the meeting rejects the proposal for the performance of a special, or an extraordinary audit, the stockholders who made the proposal may within a 30-day term from the date of the company’s stockholders’ meeting request that a responsible court in an out-of-court proceeding decide on the proposal for the performance of a special, or an extraordinary audit.

By its decision, whereby the court approved the motion for the performance of a special, or an extraordinary audit, the court shall also nominate an auditor, who shall fulfil the conditions from Paragraph 3 of this Article.

A company shall make available all necessary documentation and information that an auditor in charge of a special or an extraordinary audit may request.

Prohibition on transfer of stocks during performance of special or extraordinary audit

Article 458

In the case from Article 457, Paragraph 5, a court may, in an out-of-court proceeding, pass a decision ordering Central Register to make entry of a provisional ban on the transfer of stocks of those stockholders on whose motion the court decision to carry out a special, or an extraordinary audit was made.

Costs of special or extraordinary audit

Article 459

The costs of a special or an extraordinary audit shall be borne by the company.

If a special or an extraordinary audit is carried out pursuant to the court decision, the court shall, by its decision, determine the cost estimate from Paragraph 1 of this Article, and order the company to make respective payment in favour of the court’s deposit account.

If the company fails to pay the cost estimate for the performance of a special, or an extraordinary audit within the time period specified in the court decision from Paragraph 2 of this Article, the court shall make an enforced collection of the above amount.

Contents of the report on special audit

Article 460

The report on special audit shall be produced in writing and has to contain the auditor’s explanation in respect of his/her findings.

In the report from Paragraph 1 of this Article the auditor shall have to indicate whether the findings of a special audit deviate from:

1) assessed value of the in-kind contribution if it was subject of a special audit; or
2) value and conditions governing the acquisition or disposal of high value assets, if they were subject of a special audit.

If the auditor states that the deviations from Paragraph 2 are significant, he/she shall indicate it clearly and propose steps to eliminate the consequences thereof.

If the auditor states that the deviations from Paragraph 2 are not significant, the proposal for performance of a special audit shall be considered groundless.

Contents of the report on extraordinary audit
Article 461

The report on special audit shall be produced in writing and has to contain the auditor’s explanation in respect of his/her findings.

In the report from Paragraph 1 of this Article the auditor shall have to indicate whether the findings of an extraordinary audit deviate from the findings in respect of financial statements provided by the auditor who carried out the previous audit, and to indicate the causes for the difference.

If the auditor states that the deviations from Paragraph 2 are significant, he/she shall suggest measures to eliminate the consequences thereof.

If the auditor states that the deviations from Paragraph 2 are not significant, the proposal for performance of a special audit shall be considered groundless.

Actions in respect of reports on special or extraordinary audit

Article 462

The report on a special or an extraordinary audit shall be delivered to the board of directors, that is, executive board, in case of the two-tier board system, to the stockholders who made proposal for performance of the audit and to the court, if a special or an extraordinary audit was carried out pursuant to the court decision.

If the auditor confirms in the report from Paragraph 1 of this Article that considerable differences within the meaning of Article 460, Paragraph 2 and Article 461, Paragraph 2 of this law were found, the board of directors, that is supervisory board, in case of a two-tier board system, shall convene an extraordinary stockholders’ meeting within eight days from the report’s delivery date to examine the stated report, and organize that a session be held within 30 days from the report’s delivery date.

The board of directors, that is, supervisory board, in case of the two-tier board system, shall, together with the report from Paragraph 1 of this Article, prepare its written statement on the findings from the report, with drafted resolutions of the stockholders’ meeting.

If the board of directors, that is, supervisory board, in case of the two-tier board system, fails to act pursuant to Paragraph 2 of this Article, the stockholders who made the proposal for the performance of a special or an extraordinary audit may within the period of 30 days from the report’s delivery date file a request to the court to order, in an out-of-court proceeding, that an extraordinary stockholders’ meeting from Paragraph 2 of this Article be held.

If in the case from Paragraph 2 of this Article the stockholders’ meeting fails to approve the report of the auditor who had carried out a special, or an extraordinary audit, the stockholders who voted in favour of approval of the reports and of the measures suggested by the auditor shall be entitled to be dissenting stockholders within the meaning of Article 475 of this law, and to be compensated for the damage by the company.

If the auditor confirms in the report from Paragraph 1 of this Article that there are no significant differences within the meaning of Article 460, Paragraph 2, and Article 461 Paragraph 2 of this law, the board of directors, that is, supervisory board, in case of a two-tier board system, shall put the report on the agenda of the first upcoming stockholders’ meeting.
The company’s right to compensation
Article 463

If a report on a special or on extraordinary audit proves that the proposal for its performance was groundless, a company shall be entitled to the compensation of costs of the completed special or extraordinary audit by those stockholders who made the proposal for the performance of the respective audit.

The stockholders who made the proposal for the performance of a special or an extraordinary audit shall be jointly and severally liable for compensation of the costs from Paragraph 1 of this Article.

8. By-laws and documents of a company

Types
Article 464

A company shall keep the following by-laws and documents:
1) the memorandum of association;
2) the resolution on the registration of the incorporation of the company;
3) the articles of association and all amendments thereto;
4) the by-laws of the company;
5) the minutes from sessions of the stockholders’ meeting of the company and resolutions of the stockholders’ meeting of the company;
6) the by-law on the incorporation of each branch or some other organizational part of the company;
7) the documents evidencing the ownership and other property rights of the company;
8) the minutes from sessions of the board of directors, that is executive board and the supervisory board if the company has a two-tier board system;
9) the annual reports of the company’s operations and consolidated annual reports;
10) the reports of the board of directors, that is, executive board and the supervisory board if the company has a two-tier board system;
11) the records of the addresses of directors and supervisory board if the company has a two-tier board system;
12) the contracts that directors, supervisory board members, if the company has a two-tier board system, or parties related thereto in terms of this law, entered into with the company.

The company shall keep the documents and by-laws referred to in Paragraph 1 of this Article at its seat or such other place as is known or accessible to all directors and members of the supervisory board, if the company has a two-tier board system.

The documents and by-laws referred to in Paragraph 1 Items 1) through 5), 8, 9) and 12) of this Article shall be indefinitely kept by the company, while other documents and by-laws
referred to in Paragraph 1 of this Article shall be kept for not less than five years, whereupon they shall be kept in accordance with the regulations governing the archives.

Access to the by-laws and documents of a company

Article 465

The board of directors, that is, executive board if the company has a two-tier board system, shall make available the by-laws and documents referred to in Article 464 Paragraph 1 items 1) through 5) and 9) hereof, as well as the financial statements of the company, to each stockholder and former stockholder for the period during which he/she was a stockholder, at his/her written request filed in line with Article 81 hereof, for the purpose of inspection and photocopying at his/her own expense during the working hours.

It shall be considered that the obligation from Paragraph 1 hereof is met in respect of the documents from Paragraph 1 of this Article for which the company has enabled free access and download from the company’s website, free of charge.

Notwithstanding Paragraph 1 of this Article, if a company secretary is appointed, he/she shall be responsible for the fulfilment of the obligation referred to Paragraph 1 of this Article as regards the by-laws and documents referred to in Article 464 Paragraph 1 items 5) and 9) hereof.

The stockholder’s right referred to in Paragraph 1 of this Article may be limited only to the extent necessary for the normal identification of the stockholder.

Access to the by-laws and documents under a court decision

Article 466

If the board of directors, that is, executive board, if the company has a two-tier board system, or the secretary to the company, if any, fails to act in accordance with the request referred to in Article 465 hereof within five days from the date of receipt of the request, the proponent is entitled to seek from a court to order the company to act in accordance with his/her request in out-of-court proceeding.

The proceeding referred to in Paragraph 1 of this Article shall be urgent and the court shall deliver a decision on the request within eight days.

Restriction related to the publication of the by-laws and documents of a company

Article 467

A person that is provided with access to the by-laws and documents of the company in accordance with Articles 465 and 466 hereof, may not publish them in such a manner as to harm the company or its reputation.

9. Dissolution of a Company

Events causing dissolution

Article 468

C. M. S. Reich-Rohrwig Hasche Sigle
A company shall dissolve by way of deletion from the companies register upon the occurrence of any of the following events:
1) after completed procedure of liquidation or forced liquidation in compliance with this law;
2) after completed bankruptcy proceedings in compliance with the law governing bankruptcy matters;
3) in the event of a status change leading to a dissolution of a company.

Dissolution of a company by court decision

Article 469

Deciding upon the action brought against the company by the stockholders possessing the stocks that represent a minimum of 20% of the company’s share capital, the competent court may authorize dissolution of a company or impose other measures:
1) if the board of directors i.e. executive board and supervisory board, if the company has a two-tier board system, may not manage the company’s operations, either due to division or for some other reasons, and the company’s stockholders’ meeting is not able to break the deadlock, for which reason the company’s business may no longer be conducted in the interest of stockholders;
2) the stockholders are deadlocked in decision-making at the company’s stockholders’ meeting for a period that includes at least two consecutive sessions of the company’s stockholders’ meeting, for which reason the company’s business may no longer be conducted in the interest of the company;
3) if the directors, that is, members of the supervisory board in case of a two-tier board system, have acted unlawfully, dishonestly or fraudulently, which is contrary to the interest of the stockholders who file the action;
4) if the company’s assets are being wasted or impaired.

In the proceedings upon the action referred to in Paragraph 1 of this Article, if the grounds for filing the action are curable, the court may set a time period of a maximum of six months in which the company is bound to cure their irregularities.

If the company fails to cure the irregularities within the deadline referred to in Paragraph 2 of this Article, the court shall render a ruling to authorize dissolution of the company or impose one or several measures, as follows:
1) dismissal of a director or recall of a member of the supervisory board, in case of a two-tier board system;
2) imposing a receivership on the company until the appointment of new directors, that is, members of the supervisory board, if the company has a two-tier board system;
3) conducting extraordinary audit of the company’s financial statements;
4) adopting a resolution on the allocation of profit or payment of shares in the profit, that is, dividend;
5) purchase of stocks owned by the stockholders who filed the action by the company at the market value in terms of this law.

By way of the ruling referred to in Paragraph 3 of this Article, the court may authorize that the company compensate the damage to stockholders who filed an action.
V ACQUISITION AND DISPOSAL OF HIGH-VALUE ASSETS

Definition and basic provisions

Article 470

If the company acquires, that is, disposes of the assets, the purchase value, and/or, selling value, and/or, market value of which at the moment of adopting the relevant resolution accounts for 30% or more of the book value of the total company’s assets presented in the latest annual balance sheet, it shall be deemed that the company acquires, that is, disposes of the high-value assets.

The acquisition, that is, disposal of high-value assets shall mean the acquisition, that is, disposal of assets in any manner, including, in particular, acquisition, sale, lease, exchange, establishment of a lien or mortgage, conclusion of credit and loan agreements, issuance of sureties and guarantees and taking any other action imposing an obligation on the company.

Notwithstanding Paragraph 2 of this Article, the acquisition or disposal of the assets of high value shall not be considered the acquisition or disposal carried out in the company’s ordinary course of business.

The assets in terms of Paragraphs 1 and 2 of this Article shall mean the assets and rights, including real estate, movable assets, cash, shares held in companies, securities, receivables, industrial property and other rights.

A single acquisition, that is, disposal in terms of Paragraph 1 of this Article shall mean several related acquisitions, that is, disposals made in a period of one year, where the time of occurrence shall be deemed as the date on which the last acquisition, that is, disposal was made.

The acquisition, that is, disposal of high-value assets may be conducted only with prior or subsequent approval of the company’s meeting.

If a company acquires, that is, disposes of high-value assets, the provisions of this law governing the rights of dissenting shareholders shall apply accordingly.

Procedure for the acquisition, that is, disposal of high-value assets

Article 471

The board of directors, i.e. the supervisory board, if the company has a two-tier board system, shall prepare a draft resolution by which the company’s stockholders’ meeting approves the acquisition, that is, disposal of high-value assets, along with:

1) statement of reasons containing the reasons for which adoption of that resolution is recommended;

2) report on the conditions on which high-value assets are to be acquired, that is, disposed of.
A draft agreement on the acquisition, that is, disposal of high-value assets shall constitute an integral part of the material for a session of the stockholders’ meeting at which the resolution referred to in Paragraph 1 of this Article is adopted.

Notwithstanding the foregoing Paragraph, if the resolution approves an already concluded agreement on the acquisition, that is, disposal of high-value assets, such an agreement shall be submitted along with the material for the session of the stockholders’ meeting at which the resolution referred to in Paragraph 1 of this Article is adopted.

The company’s stockholder’s meeting shall adopt a resolution on approving the acquisition, that is, disposal of high-value assets by a ¾ majority vote of the present stockholders with voting rights.

Consequences of the breach of provisions on the disposal of high-value assets

Article 472

If the approval pursuant to Articles 471 and 472 of this law has not been obtained, a company and a stockholder holding or representing at least 5% of the company’s share capital may file an action for annulment of the legal transaction, that is, actions of acquisition or disposal of high value assets.

Notwithstanding Paragraph 1 hereof, a legal transaction, that is, action shall not be annulled if a person, as the other side to the legal transaction, that is, against whom an action was undertaken, did not know nor had to know of a breach of provisions of Article 472 of this law at the time of conclusion of the legal transaction, that is, undertaking of legal action.

The board of directors, that is, supervisory board, if the company has a two-tier board system, shall be jointly and severally liable to the company for any damage sustained by that company due to the acquisition, that is, disposal of high-value assets, if such acquisition, that is disposal was conducted without a resolution of the stockholder’s meeting approving such actions.

The action from Paragraph 1 of this Article, that is, the action for compensation of damages pursuant to Paragraph 3 of this Article may be filed within three years of the date of acquisition, that is, disposal of high-value assets.

Application of other provisions to limited liability companies

Article 473

The provisions hereof on acquisition, that is, disposal of the high value assets are applied accordingly to a limited liability company, unless otherwise stipulated by the memorandum of association.

VI SPECIAL RIGHTS OF DISSenting STOCKHOLDERS

Right of dissenting stockholders to repurchase stocks

Article 474

A stockholder may require of the company to repurchase his/her stocks, if he/she votes against or abstains from voting in favour of the resolution on:

1) amendment to the company’s articles of association, which impairs his/her rights stipulated by the articles of association or by the law;

2) status change;

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3) change of legal form;
4) change of the company’s duration;
5) approving the acquisition, that is, disposal of high-value assets;
6) amending his/her other rights, if the articles of association stipulate that a stockholder is entitled, on these grounds, to dissent and receive compensation for the market value of stocks in compliance with this law;
7) on withdrawal of one or more classes of stocks from the regulated market within the meaning of Article 8 hereof, in accordance with the provisions of the law governing the capital market.

The right to repurchase stocks and payment referred to in Paragraph 1 of this Article shall also be vested in the stockholder who failed to attend the session of the company stockholders’ meeting at which resolutions were adopted on the issues referred to in Paragraph 1 of this Article, provided he/she was not invited to the session in due manner.

The stockholder, who requires of the company to purchase his/her stocks in accordance with Article 475 hereof, may not challenge the company’s resolution on which this right is based.

The resolution from Paragraph 1 of this Article must contain a provision stipulating that it will become effective by a statement issued by all directors and members of the supervisory board, in case of the two-tier board system, confirming that all dissenting stockholders have been paid in full for the value of their stocks in line with Articles 475 and 476 of this law.

The procedure for exercising the right to repurchase stocks

Article 475

An integral part of the material for the stockholder’s meeting that has to adopt a resolution referred in Article 474, Paragraph 1 of this law shall be:

1) the notification on the rights of dissenting stockholders to the repurchase of their stocks and the form of request for exercising such rights which contains the fields for entering the name, that is, business name of the stockholder and his/her domicile, that is, seat and the number and class of the stocks to be repurchased; and

2) the information on the book value of stocks, the information on the market value of stocks established pursuant to Article 261, Paragraph 1 of this law, and the information on estimated value of stocks established pursuant to Article 261, Paragraph 2 of this law.

In case the dissenting stockholder wishes to exercise the right to the repurchase of his/her stocks, the dissenting stockholder may submit the request from Paragraph 1 of this Article to the company:

1) at the stockholders’ meeting at which the resolution referred to in Article 474, Paragraph 1 hereof is adopted, to the chairperson of the stockholders’ meeting, that is, the person authorized by the chairperson of the stockholders’ meeting,

2) within 15 days from the date of closing of the stockholders’ meeting.

The company shall be under an obligation within 60 days from expiration of the deadline from Paragraph 2, item 2) of this Article to pay to the dissenting stockholder the value of stocks from Paragraph 1 of this Article which is equal to the highest value from Paragraph 1, item 2) of this Article.

The payment from Paragraph 3 of this Article shall be made pursuant to the rules of procedure of the Central Register.
Court protection of the dissenting stockholder’s right

Article 476

A dissenting stockholder may file an action against the company with the competent court claiming the payment of:

1) the difference up to the full market value of his/her stocks, if the stockholder deems that the company paid out to him/her the amount lower than the market value against the purchase price of his/her stocks;

2) the full market value of his/her stocks, if the company failed to pay out to him/her the value of stocks, despite the fact that the stockholder filed a request in compliance with Article 475, Paragraph 2, that is Article 475, Paragraph 3 of this law.

The action referred to in Paragraph 1 of this Article shall be filed in no later than 30 days from the date of payment effected in accordance with Article 475, Paragraph 4 of this law, i.e. date of expiry of the deadline for such payment, if the payment has not been made.

If more than one action from Paragraph 1 of this Article is filed, the proceedings will be joined.

If the court, deciding upon the action referred to in Paragraph 1, item 1 of this Article, finds that the market value of the claimant’s stocks is higher than the paid-out amount, it shall pass a ruling to obligate the company to pay out to the respective stockholder the difference up to the full amount of the market value of his/her stocks.

If the court, deciding upon on the action referred to in Paragraph 1, item 2 of this Article, establishes that the claimant did not receive the market value of stocks, it shall pass a ruling to obligate the company to pay that value to the claimant.

If the court, by its valid decision passed in the proceedings under the action referred to in Paragraph 1 of this Article, imposes an obligation on the company to pay out to the dissenting stockholder the difference up to the full market value of stocks, that is, the full market value of stocks, that company shall acknowledge and pay out the equal stock value to all other dissenting stockholders of the same class of stocks, irrespective of the fact whether the stockholders have filed the action from Paragraph 1 of this Article.

If the company fails to act pursuant to Paragraph 6 of this Article, each dissenting stockholder may request, by means of an action filed to the competent court, to receive full difference up to the full market value of stocks determined by the court ruling from Paragraph 5 of this Article.

Applicability to a limited liability company

Article 477

The provisions on the rights of dissenting stockholders shall apply accordingly to the shareholders of a limited liability company, unless the memorandum of association of that company provides otherwise.
VII CHANGE OF LEGAL FORM

Definition of the change of legal form

Article 478

The change of the company’s legal form means conversion of a company from one legal form into another legal form in accordance with this law.

The change of the company’s legal form shall not affect the legal personality of that company.

The provisions of this law on establishing the relevant form of the company shall apply accordingly to the change of legal form, unless this law stipulates otherwise.

If a public joint stock company changes its legal form, it must fulfil the conditions for termination of the status of a public company which are prescribed by the law governing capital markets.

A company may not change its legal form if it is in liquidation or bankruptcy, unless the change takes form of reconstruction pursuant to the law governing bankruptcy.

Drafting of by-laws and documents in connection with a change of legal form

Article 479

For the purpose of conducting the procedure for the change of legal form, the board of directors shall prepare and submit to the company’s meeting, for adoption, the following by-laws and documents:

1) a draft resolution on the change of the company’s legal form;
2) a draft amendment to the memorandum of association for the purpose of harmonizing thereof with the provisions of this law governing the relevant legal form of the company;
3) draft articles of association of the company, if the company changes its legal form to become a joint stock company;
4) a draft resolution appointing members of the company’s bodies in compliance with the provisions of this law governing the relevant legal form of the company;
5) a report on the need for conducting the procedure for changing a legal form, which shall contain:
   (1) the explanation of legal effects of the change of legal form;
   (2) the reasons for and the analysis of the expected effects of the change of legal form;
   and
   (3) the rationale for the ratio of conversion of stocks into shares i.e. shares into stocks, that is, conversion of shares belonging to one legal form of the company into shares belonging to another legal form of the company, depending on the specific change of legal form;
6) detailed information on the shareholder’s right to dissent from the resolution on the change of legal form in terms of Article 467 hereof.
In case of a two-tier board system, by-laws and documents from Paragraph 1 of this Article shall be prepared by the executive board, and the supervisory board shall formulate them and deliver to the stockholders’ meeting for adoption.

Conduct of the procedure for changing the legal form of a company

Article 480

The provisions of this law governing status changes shall apply accordingly to the notification of shareholders and creditors of the conduct of the procedure for changing the legal form, the invitation for a session at which a resolution on the change of legal form is to be made and the procedure for making such a resolution, unless this law stipulates otherwise.

Resolution on the change of company legal form

Article 481

The resolution on the change of legal form of a company shall be rendered:
1) unanimously by partners, general partners, that is, shareholders of a limited liability company, unless the memorandum of association provides otherwise;
2) by a ¾ majority of votes of the present stockholders, unless the articles of association require a greater majority.

The resolution on the change of legal form of a company shall contain in particular:
1) the business name and address of the seat of the company undergoing the change of legal form;
2) designation of a new legal form of the company; and
3) details regarding the manner and conditions for the conversion of shares in a company into stocks or vice versa, that is, conversion of shares belonging to one legal form of the company into shares belonging to the other legal form of the company, depending on the specific change of legal form.

Concurrently with the resolution referred to in Paragraph 1 of this Article, the company’s shareholders, that is, the company’s shareholders’ meeting shall also adopt:
1) amendments to the memorandum of association;
2) articles of association, in case of a change of legal form into a joint stock company; and
3) a resolution or resolutions appointing members of the company’s bodies.

Registration of the change of legal form of a company

and legal effectiveness of registration

Article 482

The registration of the legal form of a company shall be carried out in accordance with the law on registration, and if a company changes its legal form to become a joint stock company, it shall carry out the registration of stocks with the Central Register, in keeping with this law.

If a company changes its legal form and concurrently becomes a public company, within the meaning of the law governing the capital market, the provisions of that law on acquiring a public company capacity shall also apply.
The legal effects of the change of legal form of a company shall arise as of the date of registration of such change in accordance with the law on registration.

The change of the legal form of a company shall produce the following legal effects:

1) the shares of the company’s shareholders shall be converted into stocks or vice versa, that is, the shares belonging to one legal form of the company shall be converted into shares belonging to the other legal form of the company, depending on the specific change of legal form;

2) the statutory holders of convertible securities and warrants, that is, other securities with special rights shall be provided, in addition to the stocks, with at least equal special rights after the change of legal form, unless the resolution on the issuance of such securities stipulates otherwise or unless a different agreement has been reached with the holders thereof.

3) The partners and general partners who, due to the change of legal form, have become shareholders with limited liability, shall remain jointly and severally liable with the company for the company’s obligations incurred prior to the registration of the change of legal form in compliance with the law on registration.

**VIII STATUS CHANGES**

1. Definition and types of status change

**Definition of status change and basic provisions**

Article 435

The status change of a company shall mean that a company (hereinafter referred to as: transferring company) conducts reorganization by transferring assets and liabilities to another company (hereinafter referred to as: acquiring company), while its shareholders acquire shares, that is, stocks in that company.

All shareholders of the transferring company shall acquire shares, that is, stocks in the acquiring company pro rata to their own shares, that is, stocks in the transferring company, unless each shareholder of the transferring company agrees that the status change establishes a different ownership relation or unless it exercises his/her right to payment instead of the acquisition of shares, that is, stocks in the acquiring company, in accordance with Article 508 of this law.

A shareholder of the transferring company may also receive a cash payment against a status change, but such payment may not exceed 10% of the par value of the shares i.e. stocks acquired by that shareholder, or 10% of the accounting value of stocks if these stocks are non-par stocks.

If a status change implies incorporation of a new company, the incorporation of such new company shall be subject to the provisions of this law governing incorporation of companies in the relevant legal form, unless the provisions of this law governing status changes stipulate otherwise.

The status change by which a public company, within the meaning of the law governing the capital market, is acquired by a company which is not a public company within the meaning of that law, or if it merges with that company to form a new company which is not a public company within the meaning of that law, that public company must fulfil the conditions for...
termination of the status of public company that are prescribed by the law governing the capital market.

Status changes may not be carried out in contravention of the provisions of the law governing protection of competition.

Participants in status change
Article 484
Status change may involve one or several companies with the same or different legal forms.
Status change may not involve a company which is in liquidation or bankruptcy, unless the status change takes the form of reconstruction pursuant to the law governing bankruptcy.

Types of status change
Article 485
Status changes shall include:
1) acquisition;
2) merger;
3) division;
4) spin-off.

Acquisition
Article 486
One or more companies may be acquired by another company by transferring all assets and liabilities to that company, whereby the acquired company shall dissolve without conducting liquidation proceedings.

Merger
Article 487
Two or more companies may merge by formation of a new company or by transferring all assets and liabilities to that new company, whereby the merging companies shall dissolve without conducting liquidation proceedings.

Division
Article 488
A company may divide by simultaneously transferring all of its assets and liabilities to:
1) two or more newly-founded companies (hereinafter referred to as: “division by formation”); or
2) two or more existing companies (hereinafter referred to as: “division by acquisition”); or
3) one or more newly-founded companies and one or more existing companies (hereinafter referred to as: “combined division”).
The company referred to in Paragraph 1 of this Article shall dissolve upon the completed status change without conducting liquidation proceedings.

Spin-off

Article 489

A company may spin off by transferring part of its assets and liabilities to:
1) one or more newly-founded companies (hereinafter referred to as: “spin-off by formation”); or
2) one or more existing companies (hereinafter referred to as: “spin-off by acquisition”); or
3) one or more newly-founded companies and one or more existing companies (hereinafter referred to as: “combined spin-off”).

The company referred to in Paragraph 1 of this Article shall dissolve upon the completion of status change.

2. Regular procedure for conducting a status change

2.1. By-laws and documents related to status change

Preparation of by-laws and documents related to status change

Article 490

For the purpose of conducting a status change, the board of directors i.e. supervisory board, if the company has a two-tier board system, shall prepare the following by-laws and documents:
1) a draft agreement on status change, i.e. draft division plan, if only one company participates in the status change, and all the documents referred to in Article 491, Paragraph 3;
2) financial statements with the auditor’s opinion with the balance as at the date which shall not be earlier than six months from the date on which the resolution on a status change was adopted by the stockholders’ meeting;
3) auditor’s report on the completed audit of the status change;
4) the report on the status change compiled by the board of directors i.e. supervisory board, if the company has a two-tier board system;
5) a draft resolution of the stockholders’ meeting on the status change.

A company may use the following documents as the financial statements referred to in Paragraph 1, item 2) of this Article:
1) the latest annual financial statements with the auditor’s opinion if no more than six months have elapsed from the end of the business year until the date on which the stockholders’ meeting adopted the resolution on status change; or
2) biannual financial statements with the auditor’s opinion, if more than six months have elapsed from the end of the business year until the date on which the stockholders’ meeting adopted the resolution on status change.

The financial statements referred to in Paragraph 1, Item 2) may be based on the latest annual financial statements, if such statements were subject to audit, taking into account, based on the bookkeeping records, the changes that have occurred since the date on which the latest annual financial statements were prepared, including the most important changes to the value of assets, without taking a special inventory of stocks and fixed assets.

Notwithstanding Paragraph 1, item 2) of this Article, the financial statements shall not be required if all the shareholders of the company involved in status change agree therewith.

In case of a company which is not a public joint stock company, the auditor’s report referred to in Paragraph 1, item 3) of this Article shall not be required if all the shareholders of the company involved in status change agree therewith.

The report referred to in Paragraph 1, item 4) of this Article shall not be required for the company participating in status change if all the shareholders of that company agree that such a report should not be made.

If the company continues upon the completed change of legal status, the board of directors, that is, supervisory board shall prepare a draft resolution of the meeting on amendments of the memorandum of association, that is, of the articles of association, in the case of a joint stock company.

Agreement on status change

Article 491

The agreement on status change shall be entered into if the status change involves two or more companies.

The agreement referred to in Paragraph 1 of this Article shall contain in particular:

1) the business names and seats of the company participating in the status change;
2) the purpose of and the conditions on which the status change is made;
3) designation of the value of the assets and amount of liabilities transferred by way of status change to the acquiring company and the description of such assets and liabilities, as well as the manner in which such transfer is made to the acquiring company;
4) data on the exchange of shares, that is, stocks and, in particular:
   (1) the ratio at which the shares, that is, stocks in the transferring company are exchanged for the shares, that is, stocks in the acquiring company, and the amount of cash payment, if any;
   (2) the manner of taking over the shares, that is, stocks in the acquiring company and the date from which such shares, that is, stocks carry the right to share in profits;
   (3) the data on the special rights that the shareholders of the transferring company with special rights will acquire in the acquiring company;
5) the date from which the business activities of the transferring company terminate, if that company is dissolved upon the completed status change;
6) the date from which the transactions of the transferring company are deemed as transactions performed on behalf of the acquiring company, for accounting purposes;
7) all special privileges granted by the acquiring company to the members of the board of directors, i.e. executive and supervisory boards, if the company has a two-tier board system, of the companies participating in status change;
8) terms on which the employees’ will continue their employment relationship with the acquiring company; and

9) other issues relevant for the conduct of status change.

The following documents shall constitute an integral part of the contract referred to in this Article:

1) a draft resolution amending the memorandum of association, that is, articles of association of the acquiring company and, if the status change leads to the formation of a new company, a draft of memorandum of association and draft articles of association of that company, if it is a joint stock company;

2) the divisional balance sheet of the transferring company, in case of a status change which implies division or spin-off;

3) the list of the shareholders of the transferring company with the designation of the par value of their shares, that is, stocks in the acquiring company, and shares, that is, stocks they will acquire in the acquiring company; and

4) the list of employees in the transferring company who will continue their employment relationship with the acquiring company.

The contract referred to in Paragraph 1 of this Article shall be entered into between all the companies which participate in the status change, in writing, and shall be certified in compliance with the law governing signature certification.

If a status change implies that a subsidiary company is acquired by the company which is its exclusive owner, the agreement referred to in Paragraph 1 of this Article shall not contain the data related to the exchange of shares, that is, stocks, nor shall it be necessary to compile the document referred to in Paragraph 3, item 3) of this Article.

Division plan
Article 492

If only one company participates in a status change, the board of directors, i.e. supervisory board, if the company has a two-tier board system, shall adopt a division plan.

The division plan referred to in Paragraph 1 of this Article shall contain in particular all the details listed in Article 491, Paragraph 2 of this law.

The by-laws and documents referred to in Article 491, Paragraph 3 of this law shall constitute an integral part of the division plan.

The division plan must be compiled in writing and certified in compliance with the law governing signature certification.

Auditor’s report on the status change
Article 493

At the request of the company participating in status change, the competent court shall appoint an auditor, in out-of-court proceedings, to audit the agreement on status change, that is, division plan, and the auditor shall compile a report on the status change.

If several companies participate in status change, the competent court may, at the joint request of all such companies, appoint one auditor who will compile a joint report on the status change for all these companies.
The auditor shall compile the report referred to in Paragraph 2 of this Article and submit such a report to all the companies participating in status change within the deadline determined by the court, which deadline may not be longer than two months from the date of appointment.

The auditor shall compile the report on the status change in writing and such report shall contain the opinion on whether the ratio at which the shares, that is, stocks are exchanged is fair and reasonable, and a rationale stipulating in particular:

1) the valuation methods applied in determining the proposed ratio of the exchange of shares, that is, stocks and the weights awarded to the values obtained by application of these methods;
2) whether the applied methods and weights awarded to the values obtained by these methods are appropriate for the given circumstances, and what would the exchange ratio be if different weights were awarded; and
3) the difficulties encountered during the evaluation and audit, if any.

The auditor shall be authorized to require of all the companies involved in the status change to provide all the data and documents necessary for the successful preparation of reports and shall take all other actions to verify the authenticity of the data and documents received from those companies.

Report on status change by the board of directors, that is, supervisory board

Article 494

The board of directors, that is, the executive board, if the company has a two-tier board system, of the company conducting a status change shall compile a detailed written report which shall contain in particular:

1) goals to be achieved by way of status change, with the analysis of expected economic effects on the companies involved in status change;
2) explanation of the legal effects of the conclusion of an agreement on status change, that is, adoption of the division plan;
3) rationale for the ratio at which stocks or shares are to be exchanged;
4) data on the amendments to the agreement on status change, that is, division plan, if such amendments have been made based on the auditor’s report on the audit of status change;
5) data on major changes to the assets and liabilities of the companies participating in status change which occurred after the date on which financial statements are prepared.

If the company has a two-tier board system, the report referred to in Paragraph 1 of this Article shall be submitted to the supervisory board for adoption before it is submitted to the shareholders’ meeting for approval.

2.2. Notification of the conduct of status change

Obligation to notify

Article 495

The company shall publish the draft agreement on status change, i.e. draft division plan on its website, if the company has its website, and shall submit it to the companies register for publication on the website of that register in no later than one month prior to the date of holding a session of the shareholders’ meeting at which the resolution on status change is to be adopted.

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The drafts referred to in Paragraph 1 of this Article must be published and made available for an uninterrupted period of at least 60 days as of the date stipulated in Paragraph 1 of this Article and access to those drafts must be allowed to all interested parties without identification and free of charge.

Along with the draft referred to in Paragraph 1 of this Article, the notification of the shareholders on the time and place at which they may inspect the documents and by-laws referred to in Article 490 of this law shall also be published.

The company which is not a public joint stock company shall not have the obligation to notify referred to in Paragraph 3 of this Article, if it sent the notification set out in Paragraph 3 of this Article to each shareholder, in person.

If the status change involves more than one company, the publication envisaged in this Article may be made jointly for all those companies.

Upon publishing the draft agreement on status change, that is, division plan referred to in Paragraph 1 of this Article, it shall be deemed that the company’s creditors are notified of the status change.

Obligation to provide inspection of by-laws and documents
Article 496

The company conducting a status change shall allow to all its shareholders to inspect the by-laws and documents referred to in Article 490 hereof and the annual financial statements for the last three years for each of the companies involved in status change, with the auditor’s opinion, if they were subject to audit, at least for the period of one month preceding the date of holding the shareholders’ meeting at which the resolution on status change is to be made, at the company’s seat.

Notwithstanding Paragraph 1 of this Article, the company shall not be obliged to provide inspection of the documents and by-laws referred to in Paragraph 1 of this Article at its seat, if they are published in keeping with Article 495, Paragraphs 1 and 2 hereof.

The company shall allow each shareholder of the company to copy the documents and by-laws referred to in Paragraph 1 of this Article at the expense of the company.

Notwithstanding Paragraph 3 of this Article, the company shall not be obliged to allow copying of documents and by-laws referred to in Paragraph 1 of this Article, if all the interested parties are allowed to obtain such documents and by-laws, without identification and free of charge, from the web site of the companies register.

Obligation to notify creditors in person
Article 497

The company shall also send a written notification of the conduct of status change to the creditors that are known to the company and whose claims amount to a minimum of RSD 2,000,000 in the counter value in any currency at the median exchange rate of the National Bank of Serbia as at the date of publication referred to in Article 495, Paragraph 2 of this law, with the content set out in Article 491, Paragraph 2 of this law, in no later than 30 days prior to the date of holding a session of the shareholders meeting at which the resolution on status change is to be made.

2.3. Resolution on status change and its legal effect
Resolution on status change
Article 498

By a resolution on status change, the shareholders’ meeting shall approve:

1) the division plan adopted by the board of directors, i.e. supervisory board, if the company has a two-tier board system;
2) the agreement on status change, if such an agreement was concluded prior to the date of holding a session of the shareholders’ meeting;
3) the draft agreement on status change, if such an agreement was not concluded prior to the date of holding a session of the shareholders’ meeting.

If, as a result of the status change, certain shareholders of the transferring company become shareholders of the acquiring company who are jointly and severally liable for its obligations, the resolution on status change may be rendered only upon obtaining their consent.

The shareholders’ meeting shall, concurrently with adopting the resolution referred to in Paragraph 1 of this Article:

1) adopt the amendments and modifications to the memorandum of association, articles of association, in the case of a joint stock company, if the company continues to operate;
2) adopt the memorandum of association of the company formed by the status change, and the articles of association of that company, if it is a joint stock company.

In the case of a joint stock company, the resolution from Paragraph 1 of this Article shall contain a provision stipulating that it will become effective by a written statement issued by all directors, and members of the supervisory board, in the case of a two-tier board system, stating that all dissenting stockholders were paid in full for the value of their stocks pursuant to Article 475 of this Law.

Effective date
Article 499

The agreement on status change shall enter into force when approved by the resolution referred to in Article 498 of this law by the meetings of all the companies participating in the status change, that is, on the date of conclusion of that contract, if that date is later, unless the contract itself envisages that the contract shall enter into force on a later date.

The division plan shall enter into force when approved by the resolution referred to in Article 498 of this law by the meeting of the company conducting the status change, unless the plans stipulates some later date.

The memorandum of association of a company formed by status change, and its articles of association, if it is a joint stock company, shall become effective concurrently with the effective date of the contract on the status change.

Annulment of the resolution on status change
Article 500

The annulment of the resolution on status change shall be subject to the provisions of Articles 376 through 381 hereof.
Deciding upon the action for annulment of the resolution on status change, the court will set an appropriate period in which the respondent company shall remove the reasons for annulment, if such reasons are curable.
The competent court shall submit the decision repealing the resolution on status change, after it becomes final, to the companies register for publication in accordance with the law on registration.

The decision referred to in Paragraph 3 of this Article shall not affect the rights and obligations of the acquiring company in connection to status change which arose after entering into force of the legal effects of the status change and to the date of publication of the decision in keeping with Paragraph 3 of this Article, and such obligations shall be subject to joint and several liability of all the companies participating in the status change.

The resolution on status change may not be annulled on the grounds of the determined ratio of the exchange of shares, that is, stocks.

3. Simplified procedure for conducting status change

Simplified procedure in case of acquisition by a controlling company

Article 501

If the acquiring company is a controlling company with at least 90% share in the share capital of the transferring company i.e. at least 90% of stocks carrying voting rights in the transferring company, the status change by way of acquisition shall be conducted without the resolution on status change rendered by the stockholders’ meeting of the acquiring company provided the following conditions are satisfied:

1) if the acquiring company made the publication referred to in Article 495 hereof in no later than one month prior to the date of holding a session of the shareholders’ meeting of the transferring company at which the resolution on status change is adopted; and

2) if the acquiring company acted in compliance with Article 496 of this law during the period of one month preceding the date of holding a session of the shareholders’ meeting of the transferring company at which the resolution on status change is adopted; and

3) if one or more stockholders of the acquiring company possessing the stocks that represent at least 5% of its share capital do not require that a session of stockholders’ meeting of the acquiring company be convened for the purpose of rendering a resolution on status change, within the deadline referred to in Paragraph 1, item 1) of this Article.

In the case referred to in Paragraph 1 of this Article, the transferring company shall not be obliged to compile the reports referred to in Article 490, Paragraph 1, items 3) and 4) hereof and submit them to the shareholders’ meeting for approval.

If the acquiring company is the sole shareholder of the transferring company, the agreement on status change shall not contain the data listed in Article 491, Paragraph 2, Item 4) of this law.

The issues that are not regulated by this Article shall be subject to the provisions of this law governing the conduct of status changes in regular proceedings.

4. Change in share capital and retained assets and liabilities

Increase in share capital of the acquiring company

Article 502
The increase in capital of the acquiring company shall be carried out in compliance with the provisions of this law governing increase in capital applicable to the legal form of the acquiring company.

The increase in share capital of a public joint stock company as the acquiring company shall not be subject to the provisions of the law on capital markets governing approval by the Securities Commission and other provisions of that law which are inapplicable to the exchange of stocks in the procedure of status change.

The shareholders of the transferring company who subscribed shares, that is, stocks in the transferring company that is dissolved as a result of the status change, but did not fully pay for such shares, that is, stocks until the time of exchanging thereof for the shares, that is, stocks of the acquiring company, shall be obliged to pay, that is, enter the agreed contribution into the acquiring company under the same conditions as applied to the subscription thereof, unless the agreement on status change stipulates otherwise.

Prohibition on creating fictitious capital

Article 503

The acquiring company may not increase its share capital as a result of a status change against the shares, that is, stocks:
1) which the acquiring company possesses in the transferring company; and
2) which the transferring company possesses in the acquiring company.

The acquiring company may not issue stocks in exchange for:
1) the stocks which the acquiring company possesses in the transferring company i.e. stocks that a third party holds on its own behalf and for the account of the acquiring company;
2) own stocks of the transferring company, i.e. stocks that a third party holds on its own behalf and for the account of the transferring company.

The shares, that is, stocks that the transferring company possesses in the acquiring company, which are transferred to the acquiring company as a result of the status change, shall become own shares, that is, stocks of the acquiring company.

Notwithstanding Paragraph 3 of this Article, the acquiring company may, if so envisaged by the agreement on status change, that is, division plan, exchange the shares, that is, stocks of the shareholders of the transferring company for the shares, that is, stocks held by that transferring company in the acquiring company.

5. Registration of status change and effectiveness of registration

Registration of status change

Article 504

The registration of status change shall be made in compliance with the law on registration with respect to the acquiring company and with respect to the transferring company.

The registration of status change may not be made before the expiry of the period of 30 days from the date of entry into force of the agreement on status change, that is, division plan.

The increase, that is, reduction of the share capital occurring as a result of status change shall be registered in compliance with the law on registration.
If a company is dissolved as a result of status change, it shall be deleted from the register of business companies in compliance with the law on registration.

**Legal effects of status change**

**Article 505**

The legal effects of status change shall arise as of the date of registration in compliance with the law on registration, as follows:

1) the assets and liabilities of the transferring company shall pass to the acquiring company, in accordance with the agreement on status change, that is, division plan;

2) the acquiring company shall become jointly and severally liable with the transferring company for its obligations that were not transferred to the acquiring company, but only up to the amount of difference in the value of assets of the transferring company which were transferred to it and liabilities assumed by the transferring company, unless a different agreement is reached with a particular creditor;

3) the shareholders of the transferring company shall become shareholders of the acquiring company by way of exchanging their shares, that is, stocks for the shares, that is, stocks in the acquiring company, in accordance with the agreement on status change, that is, division plan;

4) the shares, that is, stocks of the transferring company, which were exchanged for the shares, that is, stocks in the acquiring company, shall be cancelled;

5) the rights of third parties that create encumbrance on the shares, that is, stocks of the transferring company which are exchanged for the shares, that is, stocks of the acquiring company shall pass to the shares, that is, stocks which the shareholder of the transferring company acquires in the acquiring company, and to the claim for pecuniary compensation it is entitled to in addition to or instead of the exchange of those stocks, that is, shares in compliance with this law;

6) the employees in the transferring company who are assigned to the acquiring company under the agreement on status change, that is division plan, shall continue to work in that company in compliance with labour regulations;

7) other effects in accordance with the law.

Notwithstanding Paragraph 2, item 1) of this Article, with respect to the assets and rights the transfer of which is subject to the registration in public books, that is, obtaining of certain consents and approvals, the transfer of these assets to the acquiring company shall be made by way of such registration based on the agreement on status change, that is, division plan, that is, by way of obtaining said consents and approvals.

If, as a result of status change, the transferring company winds up its operations, the following legal consequences shall arise:

1) the transferring company shall be dissolved without conducting liquidation proceedings;

2) the mutual claims between the transferring company and the acquiring company shall terminate.

3) the obligations of the transferring company shall pass to the acquiring company in accordance with the agreement on status change, that is, division plan, and the acquiring company shall become a new debtor with respect to such obligations and, in case there are several acquiring companies, each of them shall be subsidiary liable for the obligations which...
passed to other acquiring companies, in keeping with the agreement on status change, that is, division plan, up to the amount of difference in the value of assets of the transferring company that was transferred to it and the obligations assumed by the transferring company, unless it is otherwise agreed with a certain creditor;

4) the permits, concessions, other privileges and exemptions granted or recognized to the transferring company shall pass to the acquiring company in accordance with the agreement on status change, that is, division plan, unless the regulations on granting such permits, concessions, privileges and exemptions stipulate otherwise; and

5) the duties, authorizations and powers of attorney for voting at the shareholders’ meeting of the transferring company which are granted to the directors and members of the supervisory board, if the company has a two-tier board system, representatives of the transferring company shall cease.

In case of acquisition by a sole shareholder of the company in compliance with Article 501, Paragraph 3 hereof, the consequence referred to in Paragraph 2, item 3) of this Article shall not arise.

Notwithstanding Paragraph 2, item 2) and Paragraph 3, item 3) of this Article, joint and several liability shall not exist with respect to the claims for which the creditor has exercised the right to relevant security in keeping with the provisions of Article 509 hereof.

Retained assets and liabilities of the company dissolved by way of division

Article 506

The assets of the transferring company dissolved by way of division, which were not transferred to any acquiring company under the agreement on status change, that is, division plan - and it is not possible to identify by interpreting the agreement or division plan to which acquiring company such assets are to be transferred - shall be transferred to each of the acquiring companies pro rata to the share of assets transferred to them reduced by the liabilities assumed, in the total net assets of the company remaining after division.

The liabilities of the transferring company dissolved by way of division, which were not assigned to any acquiring company under the agreement on status change, that is, division plan - and it is not possible to identify by interpreting the agreement or division plan to which acquiring company such liabilities are to be assigned - shall be subject to joint and several liability of each acquiring company up to the amount of difference between the value of assets transferred to that company and the liabilities assumed by that company.

6. Protection of the rights of shareholders of the transferring company

Right to additional payment

Article 507

The shareholder of the transferring company who deems that he/she is a damaged by the determined ratio of the exchange of shares, that is, stocks in the transferring company for the shares, that is, stocks in the acquiring company, may bring an action with the competent court against the acquiring company within one month from the date of publication referred to in Article 495 hereof and seek payment of the pecuniary compensation in accordance with this Article.
If the court, deciding upon the action referred to in Paragraph 1 of this Article, establishes that the market value of the shares, that is, stocks which the shareholder of the transferring company acquired in the acquiring company is lower than the market value of the shares, that is, stocks in the transferring company that were subject to exchange, it shall pass a ruling to obligate the acquiring company to pay out to that person a pecuniary compensation which may not exceed 10% of the par value of the exchanged shares, that is, stocks in the transferring company.

In the procedure related to the action referred to in Paragraph 1 of this Article, the court shall, in case it appoints court witnesses to determine the market value of shares, that is, stocks, order to the respondent acquiring company to advance the costs of such expert witnessing.

If the court, deciding upon the action referred to in Paragraph 1 of this Article, obligates the acquiring company to pay out the pecuniary compensation, the acquiring company shall pay to all the shareholders of the transferring company whose shares, that is, stocks of the same type and class have been exchanged for the shares, that is, stocks of the acquiring company, a proportionate amount against such additional payment.

If more than one action referred to in Paragraph 1 of this Article is filed, the proceedings shall be consolidated.

Right to claim payment
Article 508

The shareholder of the transferring company who dissented from the resolution on status change in terms of Article 484 hereof shall have the right envisaged by Article 474 of this Law, whereas the purchase price of his/her stocks is determined by a resolution on status change.

If a shareholder of the transferring company deems that the purchase price determined by the resolution on status change does not correspond to the market value of these stocks, or if that price is not paid to him/her, he/she shall have the right to file an action with the competent court in compliance with Article 476 hereof.

The shares, that is, stocks purchased in compliance with this Article shall become own shares, that is, stocks of the acquiring company.

The shareholder of the transferring company may not raise any other claims towards the acquiring company.

7. Third party protection

Creditor protection
Article 509

The creditor of the company undergoing a status change whose claim was incurred prior to the registration of the status change in accordance with the law on registration and that deems that the status change in which its debtor participates would compromise the satisfaction of its claim may, within 30 days from the date of publication of the notice referred to in Article 495 hereof by its debtors, seek relevant protection.

Creditor protection in terms of Paragraph 1 of this Article shall be provided by way of one or several measures or actions, such as:
1) providing security in terms of pledge, surety and the like;
2) amending the terms of the agreement under which the claim was incurred or terminating the agreement;
3) separate management of the assets of the company of the transferring company until the settlement of the claims;
4) such other actions and measures as they place the creditor in a position which is not less favourable than the position it enjoyed prior to the status change.

Conditions for providing protection
Article 510
A creditor of the transferring company, that is, acquiring company is entitled to seek the protection referred to in Article 509 hereof from its debtor or from the acquiring company, that is, transferring company only if the financial standing of the company undergoing a status change is such that the implementation of the status change compromises the satisfaction of its claims and therefore, the provision of such protection is necessary for placing the creditor in a position which is not less favourable than the position it enjoyed prior to the status change.

The right to seek the protection referred to in 509 hereof shall not be enjoyed by:
1) the creditors whose claims belong to the first or second rank of priority in terms of the law governing bankruptcy;
2) the creditors who claims are secured.

Court protection
Article 511
A creditor that, within 15 days from the date of filing a motion for the provision of protection, is not provided with the relevant protection is entitled to file a lawsuit against its debtor with the competent court seeking the relevant protection in terms of Articles 509 and 510 hereof.

A creditor is entitled to protection only if it proves that the satisfaction of its claims is compromised as a result of the status change.

At the request of the company, the court may impose an injunction banning the implementation of the status change if it finds it necessary and justified for the purpose of providing the relevant protection for the creditor that filed a lawsuit.

Protection of holders of bonds and other debt securities
Article 512
The provisions of Articles 509 through 511 shall also apply to lawful holders of bonds and other debt securities issued by the transferring company, unless otherwise stipulated by a resolution on the issue of such securities or if not otherwise agreed with the holders thereof.

Protection of special right holders
Article 513
The lawful holders of convertible bonds, warrants and other securities with special rights, save for stocks, issued by the transferring company which is dissolved as a result of a status change, shall acquire at least equal rights towards the acquiring company unless:
1) otherwise stipulated by the resolution on the issue of such securities; or
2) otherwise agreed with such a holder; or
3) the acquiring company undertook, by a status change agreement, that is, division plan to redeem such securities at their market value at the request of such persons.
In the case referred to in Paragraph 1 item 3) of this Article, the redemption price must be determined by the status change contract, that is, division plan according to the market value of such securities determined in accordance with Article 57 hereof, which must also be confirmed by the auditor in the status change audit report.

The persons referred to in Paragraph 1 of this Article in the case set out in Paragraph 2 of this Article are entitled to seek from the competent court, within 30 days from the publication of the notice referred to in Article 495 hereof, to determine the purchase price of the relevant securities in an out-of-court proceeding, if they deem the value thereof determined in the status change contract, that is, division plan to be inadequate.

**Liability for the damage**

**Article 514**

The directors and members of the supervisory board, if the company has a two-tier board system, of the company undergoing a status change shall be jointly and severally liable to the stockholders of the company for the compensation of the damage caused intentionally or by gross negligence during the preparation and implementation of the status change.

A lawsuit for the compensation of the damage referred to Paragraph 1 of this Article may be filed within three years from the date of publishing the registration of the status change in accordance with the law on registration.

The persons from Paragraph 1 of this Article shall not be liable for the damage if the subsidiary is merged with its sole member.

**IX COMPULSORY REDEMPTION OF STOCKS AND THE RIGHT TO SALE OF STOCKS**

**Conditions for compulsory redemption**

**Article 515**

At the proposal of a stockholder that owns the stocks accounting for at least 95% of the share capital of the company and that owns at least 90% of the vote of all stockholders holding ordinary stocks (redeemer), the stockholders’ meeting of the company shall adopt a resolution on compulsory redemption of all stocks of the remaining stockholders of the company with the payment of the price which is determined by the appropriate application of provisions of this law in respect of the payments to dissenting stockholders.

The stocks held by the persons linked to the redeemer shall be deemed the stocks held by the redeemer in terms of Paragraph 1 of this Article, provided that the persons have been linked to the redeemer for a period of not less than one year prior to the adoption of the resolution on compulsory redemption.

The articles of association may stipulate that the compulsory redemption referred to in Paragraph 1 of this Article is not permitted or a higher percentage of the redeemer’s interest in the share capital of the company may be stipulated as a condition for compulsory redemption.

The resolutions on the amendments to the articles of association modifying the provisions from Paragraph 3 of this Article may be adopted by a three-quarter majority vote of the attending stockholders, unless a greater majority is laid down by the articles of association.
Determination and payment of the price

Article 516

The price of the stocks referred to in Article 515 Paragraph 1 hereof shall be determined according to the value of the stocks on the date preceding the date of passing the resolution on compulsory redemption by not more than three months, without consideration to any expected increase or decrease therein as a result of the resolution.

Notwithstanding Paragraph 1 of this Article, if the adoption of the resolution on compulsory redemption results in the termination of special benefits to which some stockholders were entitled, this fact shall be taken into account when determining the market value of stocks.

A company shall be obliged to determine the market value of the stocks within 30 days from the date of passing the resolution on compulsory redemption of the stocks in accordance with Article 57 hereof and to notify the Central Register thereof; otherwise, the validity of the resolution on compulsory redemption shall cease.

The redeemer shall be obliged to deposit into a special account held with the Central Register for such purposes the funds for the payment of the price of the stocks subject to redemption in accordance with the determined market value of such stocks within no later than eight days from the date of notifying the Central Register in accordance with Paragraph 3 of this Article; otherwise, the validity of the resolution on compulsory redemption shall cease.

The Central Register shall pay to the stockholders whose stocks are subject to compulsory redemption the price of such stocks out of the funds deposited in compliance with Paragraph 3 of this Article within three days from the date of depositing the funds in accordance with Paragraph 4 of this Article.

The redeemer shall acquire the stocks subject to compulsory redemption upon expiration of the third day from depositing the funds for payment of the price of stocks subject to compulsory redemption in accordance with Paragraph 5 of this Article in compliance with the law regulating the capital market.

Material for a session of the stockholders’ meeting

Article 517

The board of directors, that is, supervisory board if the company has a two-tier board system, shall submit to the stockholders for the session of the stockholders’ meeting at which a resolution on compulsory redemption is rendered, the following material:

1) notice of the method of determining the market value of the stocks subject to compulsory redemption in accordance with Article 57 hereof;
2) a report on valuation, if performed in compliance with Article 57 hereof; and
3) annual financial statements and annual reports on the operations of the company as well as consolidated annual reports on the standing of the company, if any, for the last three business years.

The notice referred to in Paragraph 1 of this Article shall also include an indication of the right of the stockholder whose stocks are subject to redemption to the payment of the price determined in accordance with Article 516 hereof, the right to challenge resolutions of the stockholders’ meeting of the company and the right to seek from the competent court to assess the appropriateness of the consideration in accordance with Article 521 hereof irrespectively of the method of voting on the resolution on compulsory redemption.

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Voting on the resolution on compulsory redemption
Article 518
When voting on the resolution on compulsory redemption, the provisions of this law governing the vote of the stockholders with preferred stocks within their class shall not apply.

Registration of the resolution on compulsory redemption
Article 519
A resolution on compulsory redemption shall be registered in accordance with the law on registration and be submitted to the Central Register within eight days from the date of adoption.

Annullment of the resolution on compulsory redemption
Article 520
Notwithstanding the provisions of this law governing the annulment of resolutions of the stockholders’ meeting of the company, a lawsuit for the annulment of the resolutions on compulsory redemption shall be filed within 30 days from the date of passing the resolution.

The resolution on compulsory redemption may not be annulled on the grounds of the inappropriateness of the price of stocks subject to compulsory redemption.

Assessment of the appropriateness of the price by the court
Article 521
Each stockholder of the company whose stocks are subject to compulsory redemption and that deems that the price determined by the company in accordance with Article 516 hereof does not correspond to the market value of the stocks may, within 30 days from the date of registration of the resolution on compulsory redemption in accordance with the law on registration seek from the competent court to determine the market value of such stocks in out-of-court proceeding.

If the motion has been submitted in accordance with Paragraph 1 of this Article, the competent court shall immediately notify the Central Register thereof for the purpose of suspending the payment of the price to the stockholders whose stocks are subject to compulsory redemption.

The competent court shall deliver the decision determining the price of the stocks subject to compulsory redemption to the Central Register upon finality thereof.

If the price determined by the decision referred to in Paragraph 3 of this Article is higher than the price determined by the company in accordance with Article 516 hereof, the redeemer shall deposit the price difference with the relevant interest calculated in accordance with Paragraph 5 of this Article into the account set out in Article 516, Paragraph 4 hereof within 30 days from the date of finality of the court’s resolution referred to in Paragraph 3 of this Article.

A statutory default interest shall be computed on the price difference from Paragraph 4 of this Article from the date of rendering the resolution on compulsory redemption to the date of depositing the difference in accordance with Paragraph 4 of this Article.
If the redeemer fails to deposit the price difference in accordance with Paragraph 4 of this Article, the company shall be jointly and severally liable for the payment of the consideration.

The motion of the stockholders whose stocks were subject to compulsory redemption for the payment of the price difference shall become statute barred within three years from the date of finality of the court’s decision referred to in Paragraph 3 of this Article.

Right to sale of stocks

Article 522

A controlling stockholder that acquires the stocks representing at least 90% of the share capital of the company shall be obliged to purchase the stocks of each of the remaining stockholders of the company at its written request.

The request from Paragraph 1 of this Article shall include the type, class and number of stocks subject to sale and shall be submitted to the company, whereby it shall be deemed that the request has been submitted to the controlling stockholder as well.

The price at which the controlling stockholder is obligated to purchase the stocks referred to in Paragraph 1 of this Article shall be determined by applying accordingly the provisions of this law in respect of the price at which dissenting stockholders are paid off.

The company shall be obliged to determine the market value of the stocks referred to in Paragraph 1 of this Article in accordance with Article 57 hereof within 60 days from the date of receiving the notice from Paragraph 1 of this Article and to notify the controlling stockholder and the requesting stockholder within the same deadline.

The controlling stockholder shall, within 30 days from the date of receiving the notice referred to in Paragraph 4 of this Article, make payments against the amount determined as the market value to the requesting stockholder, whereby the stocks are transferred to the controlling stockholder.

The requesting stockholder that deems that the value determined by the company does not correspond to the market value may, within 30 days from the date of receiving the notice referred to in Paragraph 4 of this Article, seek from the court to determine the market value of the stocks in out-of-court proceeding in accordance with Article 57 hereof.

If, acting upon the motion of the requesting stockholder referred to in Paragraph 6 of this Article, the court determines, as the market value of the stocks, the amount which is higher than the value determined by the company as the market value, the controlling stockholder shall be obliged to make additional payments up to the so determined value to the requesting stockholder within 30 days from the date of finality of the court’s decision along with the statutory default interest as of the expiry of the deadline for the payment referred to in Paragraph 5 of this Article.

If the controlling stockholder fails to act in accordance with Paragraph 7 of this Article, the company shall be jointly and severally liable for the obligation of the controlling stockholder referred to in Paragraph 7 of this Article.

Exceptions with respect to stock prices in case of takeover bids
Article 523

Notwithstanding the provisions of Articles 515 and 516 of this law on assessment of the price of stocks, the redeemer meeting the provisions of Article 515, Paragraph 1 of this law by means of a takeover bid may within a three-month period from the date of expiration of the takeover bid validity carry out a compulsory redemption of the stocks under the conditions from the takeover bid, if in compliance with the law governing takeovers of joint stock companies:

1) and exclusively by way of a voluntary takeover offer sent to all remaining stockholders for their stocks the redeemer has acquired at least 90% of the stocks subject of the offer; and

2) if the takeover bid is carried out as a compulsory one.

In the cases from Paragraph 1 of this Article, the remaining stockholders may sell their stocks pursuant to Article 522 of this Law, under the terms from the bid, within three months from the date of expiry of takeover bids.

Upon expiration of the term from Paragraphs 1 and 2 of this Article, the assessment of the stock price in exercising the right of compulsory redemption and the right to sell stocks shall be made pursuant to Article 515 and 516 of this Law.

X LIQUIDATION OF A COMPANY

1. Definition and institution of liquidation proceedings

Definition

Article 524

The liquidation of a company may be conducted when the company has sufficient assets to settle all of its liabilities.

Resolution to liquidate

Article 525

The proceedings for the liquidation of a company shall be instituted on the basis of a resolution as follows:

1) by a unanimous resolution of all partners, that is, general partners, unless the corporation charter stipulates otherwise;

2) by a resolution of the shareholders’ meeting of a limited liability company, in accordance with Article 211 hereof;

3) by a resolution of the stockholders’ meeting, in accordance with Article 358 hereof.

Registration and publication

Article 526

The liquidation of a company shall commence as of the date of registration of the resolution to liquidate and the publication of notice on the institution of liquidation proceedings, in accordance with the law on registration.

2. Notice to creditors and filing of claims
Notice on the institution of liquidation proceedings

Article 527

The notice on the institution of liquidation proceedings referred to in Article 525 hereof shall be published and shall be available for a period of 90 days on the website of the companies register and shall particularly include:

1) an invitation to the creditors to file their claims;
2) the address of the company seat, that is, mailing address referred to in Article 20 hereof to which the creditors shall file their claims;
3) a warning that the creditors’ claims will be barred if the creditors fail to file their claims within no later than 30 days from the date of expiry of the period during which the notice is available referred to in Paragraph 1 of this Article.

If, during the period during which the notice on the institution of liquidation proceedings is available, the company changes its seat or mailing address, the 90-day deadline referred to in Paragraph 1 of this Article shall begin to run anew starting from the date of registration of the change in accordance with the law on registration and all filings of claims received by that date shall be deemed duly made.

If, within the deadline set for filing creditors’ claims referred to in Paragraph 1, item 3) of this Article, the company changes its seat or mailing address, that deadline shall begin to run anew starting from the date of registration of that change in accordance with the law on registration, and all filings of claims received by that date shall be deemed duly made.

Individual notice to known creditors

Article 528

Apart from the obligation stipulated by Article 527 hereof, a company shall be obliged to send written notice of the institution of liquidation proceedings to known creditors, who are entitled to file claims pursuant to this law, within no later than 15 days from the date of commencement of the liquidation proceedings.

The notice referred to in Paragraph 1 of this Article shall particularly include:

1) record of the date of publication and the period during which the notice on the institution of liquidation proceedings is available;
2) the address of the company’s seat, that is, mailing address referred to in Article 20 hereof to which the creditor shall send its claim;
3) a warning that the creditor’s claim shall be barred if the creditor fails to file same within no later than 30 days from the expiry of the period during which the notice on the institution of liquidation proceedings is available.

If, during the period during which the notice on the commencement of liquidation proceedings is available or within the deadline referred to in Paragraph 1 item 3) hereof for the filing of creditors’ claims, the company changes the address of its seat or its mailing address, it shall be obliged to re-send the notice referred to in Paragraph 1 of this Article to known creditors who failed to file their claims until such time, within 15 days from the date of registration of the change in accordance with the law on registration.

The creditors whose claims were established by enforcement document and the creditors based on whose claims the litigation proceedings are instituted by the beginning of liquidation are under no obligation to file claims, and their claims shall be considered filed, pursuant to this law.
Filing of claims
Article 529

A company shall be obligated to enter all received filed claims, and the claims from Article 528, Paragraph 4 of this law, in the list of filed claims, and to make a list of undisputed and disputed claims.

The company may, within 30 days from the date of receipt of the filing of a claim, challenge the creditor’s claim and shall, without delay, notify the creditor accordingly, with a statement of reasons for the challenged claims.

A company may not dispute the claims of those creditors whose claims were established by an enforcement document.

If the creditor whose claim is challenged fails to institute the proceedings before the competent court within 30 days from the date of receipt of the notice of challenged claims and fails to notify the company accordingly in writing within the same deadline, that claim shall be deemed barred.

Notwithstanding Paragraph 4 of this Article, the creditor shall not be obliged to institute the proceedings before the competent court if by the time of receipt of the notice of challenged claims, the proceedings on the challenged claims were already instituted against the company before the competent court.

The claims incurred after the institution of liquidation proceedings shall not be filed and shall be settled until the completion of the liquidation proceedings.

3. Status of the company and the liquidator

Pending procedures and institution of bankruptcy proceedings
Article 530

The institution of liquidation proceedings shall not preclude any determination or enforcement against the company in liquidation, nor any other proceedings carried out against or in favour of the company in liquidation.

The institution of liquidation proceedings shall have no effect on a filed motion for the institution of bankruptcy proceedings filed in accordance with the law governing bankruptcy, and the creditors of the company in liquidation may file a motion for the institution of bankruptcy proceedings even during the course of the liquidation proceedings for reasons prescribed by the law governing bankruptcy.

Limitations of payments to the shareholders of a company in liquidation
Article 531
During the course of the liquidation proceedings of the company, dividends shall not be paid out nor shall the assets of the company be distributed to the shareholders before all creditors’ claims have been settled.

Liquidator
Article 532
A company shall appoint a liquidator by a resolution on the institution of liquidation proceedings.

Liquidator
Article 532
A company shall appoint a liquidator by a resolution on the institution of liquidation proceedings.

Upon the appointment of a liquidator, the representation rights of all representatives of the company shall terminate.

If the company fails to appoint a liquidator in the manner laid down in Paragraph 1 of this Article, all legal representatives of the company shall become liquidators.

A company may have several liquidators.

If the company has several liquidators, they shall act in concert, unless otherwise stipulated by the resolution on their appointment.

Dismissal and resignation of the liquidator
Article 533
The liquidator may be dismissed by a resolution rendered in accordance with Article 394 hereof and a new liquidator must be appointed by the same resolution.

The liquidator may resign in accordance with Article 395 hereof regulating the resignation of the company director.

Registration of the liquidator
Article 534
The appointment, dismissal and resignation of a liquidator shall be registered in accordance with the law on registration.

In the case referred to in Article 532 Paragraph 3 hereof, the registration of a liquidator shall be made ex officio in accordance with the law on registration.

Authorizations of the liquidator
Article 535
The liquidator shall be responsible for the legality of the company’s operations.

The liquidator shall represent the company in liquidation.

The liquidator may undertake the following activities:

1) take actions aimed at winding up the transactions begun prior to the commencement of the liquidation proceedings;

2) take actions required for conducting the liquidation proceedings such as the sale of property, payments to the creditors and collection of claims;
3) take such other actions as are required for the conduct of the liquidation proceedings of the company.

4. Liquidation balance sheets and reports

Opening liquidation balance sheet and initial liquidation report

Article 536

The liquidator shall compile and register an opening liquidation balance sheet as an extraordinary financial statement in accordance with the regulations governing accounting and audit, and shall, within the deadline set for its registration, submit it to the partners, general partners, that is, the stockholders’ meeting of the company for adoption.

The partners, general partners, that is, stockholders’ meeting of the company shall adopt a resolution to approve the opening liquidation balance sheet within no later than 30 days from the date it was submitted for adoption.

The liquidator shall also prepare an initial liquidation report including:

1) a list of filed claims;
2) a list of undisputed claims;
3) a list of challenged claims with a rationale therefor;
4) an indication whether the assets are sufficient for settling all liabilities of the company, including challenged claims;
5) the necessary actions for the conduct of the liquidation proceedings;
6) the time envisaged for the completion of the liquidation proceedings;
7) such other facts as are of relevance for the conduct of the liquidation proceedings.

The liquidator shall prepare the initial liquidation report not earlier than 120 days and not later than 180 days from the date of commencement of the liquidation proceedings and shall submit it within the same deadline to the partners, general partners, that is, stockholders’ meeting for adoption.

The partners, general partners, that is, shareholders’ meeting shall pass a resolution to adopt the initial liquidation report within no later than 30 days from the date when same was submitted to them for adoption.

The adopted initial liquidation report shall be registered in accordance with the law on registration.

The liquidator may not commence payments to settle the creditors’ claims or to the company shareholders prior to the registration of the initial liquidation report, save for payments of liabilities arising from the company’s daily operations.

Annual liquidation reports

Article 537

In the course of the liquidation proceedings, the liquidator shall submit annual liquidation reports on his/her actions with stated reasons why the liquidation proceedings continue and have not been completed, to the partners, general partners, that is, stockholders’ meeting of the company for adoption, not later than three months after the end of each business year.

The annual liquidation reports shall be registered in accordance with the law on registration.
Termination of liquidation proceedings

Article 538

In the course of the liquidation proceedings, a company may terminate the liquidation proceedings and resume its operations by a resolution of the partners, general partners, that is, stockholders’ meeting.

The resolution referred to in Paragraph 1 of this Article shall be rendered by a majority vote laid down for the adoption of a resolution to liquidate.

The resolution to terminate the liquidation proceedings may be rendered only if the company has fully settled the claims of all creditors, irrespective of the fact that the claims of those creditors were disputed or acknowledged, provided that it has not commenced payments to the company shareholders.

The appointment of a legal representative of the company shall constitute an integral part of the resolution to terminate the liquidation proceedings.

A statement by the liquidator that the claims of all creditors have been fully paid off and that the company has not commenced payments to the company shareholders shall also constitute an integral part of the resolution to terminate the liquidation proceedings.

If a company has several liquidators, they shall jointly provide the statement referred to in Paragraph 5 of this Article.

The resolution to terminate the liquidation proceedings shall be registered in accordance with the law on registration.

In the event of termination of the liquidation proceedings, the claims of the creditors who have not filed their claims and the creditors whose claims have been challenged but they have failed to institute the proceedings before the competent court within the deadline set in Article 529 Paragraph 4 hereof, shall not be deemed barred in terms of this law.

Institution of bankruptcy proceedings due to insolvency

Article 539

If on the basis of the opening liquidation balance sheet and the initial liquidation report it is established that the assets of the company are insufficient to settle all the creditors’ claims (insolvency), the liquidator shall file a motion with the competent court to institute bankruptcy proceedings, within 15 days from the date of preparation of the opening liquidation balance sheet and the initial liquidation report.

In the case referred to in Paragraph 1 of this Article, the liquidator may not settle the creditors’ claims, save for the claims incurred in the course of the company’s daily operations until the date of institution of the bankruptcy proceedings.

Documents compiled upon the settlement of the creditors’ claims

Article 540

Upon the settlement of the creditors’ claims, the liquidator shall compile the following documents:

1) a closing liquidation balance sheet;
2) a report on the completed liquidation proceedings;
3) a statement that all obligations of the company on account of filed claims and the claims which, within the meaning of Article 528, Paragraph 4 of this law, are deemed filed, are settled in full, and that no other proceedings are underway against the company;

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4) a draft resolution on the distribution of the company’s assets.

The closing liquidation balance sheet shall be compiled and registered in accordance with the regulations governing accounting and audit.

The documents referred to in Paragraph 1 of this Article shall be adopted by the partners, general partners, that is, stockholders’ meeting of the company, who also adopt the resolution on completion of the liquidation in the manner prescribed by Article 525 hereof, whereby the liquidation of the company is completed.

4. Payments to the shareholders of the company and completion of liquidation proceedings

Payments to the shareholders

Article 541

The assets of the company in liquidation which remain after the settlement of all liabilities of the company (residual assets) shall be distributed to the shareholders in accordance with a resolution on the distribution of the company’s residual assets.

Unless otherwise prescribed by the memorandum of association, that is, articles of association of the company or by a unanimous resolution of the partners, general partners, that is, stockholders’ of the company, the distribution referred to in Paragraph 1 of this Article shall be made as follows:

1) to the partners, general and limited partners and shareholders of a limited liability company pro rata to their shares in the company;

2) the stockholders with preferred stocks with a priority right to residual assets, after the payment thereof to the stockholders with ordinary stocks, pro rata to the share of their stocks in the total number of ordinary stocks of the company.

The limited partners, shareholders of a limited liability company and the stockholders that received the payments in good faith shall be obliged to refund the received amounts if so required for the settlement of the claims of the company’s creditors.

In the event of a dispute between the shareholders of the company on the distribution of residual assets, the liquidator shall stay the distribution under the final and valid completion of the dispute.

Remuneration for the liquidator

Article 542

The liquidator is entitled to the reimbursement of costs he/she incurred during the conduct of the liquidation proceedings and the remuneration for his/her work. The remuneration for work and the amount of costs against the conduct of the liquidation proceedings shall be determined by the partners, limited partners, that is, stockholders’ meeting of the company, and in the event of a dispute or when the company fails to determine so, the liquidator may seek from the competent court to determine in an out-of court proceeding the remuneration amount and the amount of the compensation of costs.

In terms of the claims referred to in Paragraph 1 of this Article, the liquidator shall be deemed creditor of the company in liquidation.

Termination of liquidation proceedings

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Article 543

The liquidation is terminated by resolution on termination of liquidation adopted pursuant to Article 540, Paragraph 3 of this law.

The company may not terminate the liquidation until effective and valid completion of all proceedings the consequences of which may create some obligation upon the company.

The termination of the liquidation proceedings shall have as its legal consequence deletion of the company from the companies register.

The documents referred to in Article 540 Paragraph 1 items 2), 3) and 4) hereof, along with the resolution of the partners, general partners, that is, stockholders' meeting on the adoption thereof, and the resolution on termination of liquidation shall be registered in the procedure for the deletion of the company from the register in accordance with the law on registration.

If the partners, general partners, that is, stockholders' meeting of the company fail to adopt the resolution on the adoption of the documents referred to in Article 540 Paragraph 1 items 2), 3) and 4) hereof within 60 days from the date of submission of the documents to the liquidator for adoption, that resolution may be superseded by the liquidators' statement on the failure to adopt the documents.

The business books and documents of the company which has been deleted as a result of the completed liquidation proceedings shall be kept in accordance with the regulations governing the archives, and the name and address of the persons who the business books and documents are entrusted to for safeguarding shall be registered in compliance with the law on registration.

If the partners, general partners, that is, stockholders' meeting of the company fail to adopt the resolution on the name and address of the person from Paragraph 6 of this Article, that resolution may be replaced by the resolution of the liquidators on the name and address of that person.

Interested parties are entitled to inspect, at own cost, the business books and documents of the deleted company.

If, after the deletion of the company from the register, certain actions are to be taken with respect to the company's assets that remained after the deletion or other actions that were to be taken during the course of the liquidation proceedings, an interested party may seek from the competent court to designate, in out-of-court proceedings, a liquidator authorized to take such actions.

Liability of the liquidator for the damage

Article 544

The liquidator shall be liable for the damage he/she incurs in carrying out his/her duty to the company shareholders and creditors.

The claim to in Paragraph 1 of this Article shall become statute barred within three years from the deletion of the company from the register.

Liability of company shareholders upon the completion of liquidation proceedings

Article 545

The partners and general partners shall be jointly and severally liable for the obligations of the company in liquidation even after the deletion of the company from the companies register.
The limited partners, the shareholders of a limited liability company and the stockholders of a joint stock company shall be jointly and severally liable for the obligations of the company in liquidation even after the deletion of the company from the companies register up to the amount received from the residual assets.

The claims of the creditors from Paragraphs 1 and 2 of this Article shall be barred within three years from deregistration from the register.

6. Forced liquidation

Reasons for instituting the proceedings

Article 546

Forced liquidation proceedings shall be instituted if:

1) an injunction has been imposed on the company by a final and valid document prohibiting it from conducting its activity, that is, if its permit, licence or authorization for the conduct of a certain activity has been revoked, and the company fails to register the change in the core business activity or fails to institute liquidation proceedings within 30 days from the date of effectiveness and validity of the document;

2) within 30 days from the date of expiry of the term for which the company is incorporated, the company fails to register any extension of the term of the company or fails to institute liquidation proceedings within the same deadline;

3) a general partnership is left with one partner, that is, a limited partnership is left without a general or limited partner and the missing member fails to accede to the company within three months, or the company fails to change its legal form into the legal form the terms of which it fulfils within the same deadline in accordance with this law or fails to institute the liquidation proceedings within the same deadline;

4) the share capital of the company falls below the minimum amount prescribed hereunder and the company fails to increase the share capital at least up to the minimum amount stipulated by this law within six months or fails to change its legal form into the legal form whose conditions it fulfils within the same deadline in accordance with this law, or if within the same deadline the company fails to adopt its resolution to initiate the liquidation proceedings and register any such change pursuant to the law on registration;

5) the company fails to submit to the competent register its annual financial statements until the end of the business year for the previous business year, that is, the opening liquidation balance sheet in accordance with the law governing accounting and audit;

6) a final and valid ruling establishes the nullity of the registration of the company’s registration in accordance with the law on registration or nullity of the company’s memorandum of association in accordance with Article 14 hereof;

7) a final and valid ruling orders dissolution of the company in accordance with Article 469 hereof and the company fails to institute the liquidation proceedings within 30 days from the date of finality of the ruling;
8) the company is left without its legal representative and fails to register a new one within three months from the date of deletion of the legal representative from the companies register;

9) a company in liquidation is left without the liquidator and fails to register a new one within 3 months from the date of deletion of the liquidator from the companies register;

10) the adopted opening liquidation balance sheet is not submitted to the companies register in accordance with Article 536, Paragraph 6 hereof;

11) in such other cases as are envisaged by the law.

Institution of forced liquidation proceedings

Article 547

In the cases referred to in Article 546 hereof, the registrar maintaining the companies register shall ex officio register the company as the company in “forced liquidation” and shall concurrently publish the notice on forced liquidation on the website of the companies register, which shall be available for an uninterrupted period of six months.

The notice referred to in Paragraph 1 of this Article shall include:

1) the date of publication of the notice;

2) the business name and the company number;

3) the reason for forced liquidation;

4) notice to the creditors that they may file a motion for the institution of bankruptcy proceedings with the competent court within six months from the date of publication of the notice in accordance with the law governing bankruptcy.

The bankruptcy proceedings may be instituted against the company in forced liquidation if a reason for liquidation exists in accordance with the law governing bankruptcy.

If, within one year from the date of publication of the notice referred to in Paragraph 1 of this Article, the companies register fails to receive a ruling by the competent court ordering the institution of bankruptcy proceedings against the company in forced liquidation, the registrar maintaining the companies register shall delete the company from the register ex officio.

Consequences of the company’s deletion from the register in the event of forced liquidation

Article 548

The assets of a deleted company shall become the property of the shareholders of the company pro rata to their shares in the company’s capital, and in the case of a general partnership with no capital, it shall be evenly distributed among the partners.

The shareholders shall regulate their relations regarding the assets referred to in Paragraph 1 of this Article contractually, where each shareholder may seek from the competent court to divide the assets in an out-of-court proceeding.

Upon deregistration of the company from the companies register, the shareholders of a deleted company shall held liable for the obligations of the company in line with the provisions of Article 546 hereof governing the liabilities of shareholders in case of liquidation.
Notwithstanding Paragraph 3 hereof, a controlling member of a limited liability company and a controlling stockholder of a joint stock company shall have unlimited joint and several liability even upon deregistration of the company from the companies register.

The claims of the company’s creditors toward the company’s members from Paragraph 4 of this Article shall become statute barred within three years from the date of the company’s deletion.

XI LINKING OF BUSINESS COMPANIES

1. General provisions

Method of linking of companies

Article 549

Companies may be linked by:
1) interest in the share capital or partnership interests (companies linked by capital);
2) contract (companies linked by contract);
3) both capital and contract (mixed linked companies).

Linking of companies in violation of regulations governing protection of competition is prohibited.

Types of linked companies

Article 550

By linking in terms of Article 549 hereof, business companies shall be organized as:
1) a group of companies (concern);
2) a holding company;
3) companies with mutual interest in capital.

Group of companies

Article 551

A group of companies shall exist when apart from managing its subsidiaries, a controlling company conducts other activities as well.

A group of companies shall comprise:
1) a controlling company and one or more subsidiaries managed by the controlling company (factual group); or
2) a controlling company and one or more subsidiaries that have entered into a contract on control and management (contractual group); or
3) companies which are not in a mutually dependent position and are managed in a uniform manner (a group based on equitable relations).
Holding company

Article 552
A holding company shall be understood to mean a company which is controlled by one or more subsidiaries and whose exclusive activity is the management and financing of its subsidiaries.

Companies with mutual interest in capital

Article 553
Companies with mutual interest in capital shall be understood to mean companies whereof each holds a substantial interest in the capital of the other company.

2. Contracts on control and management

2.1. Definition

Article 554
A contract on control and management shall be understood to mean a contract whereby a company confers the management and conduct of operations upon another company.

If the companies making up a group based on equitable relations in terms of Article 551 Paragraph 2 item 3) hereof enter into a contract introducing uniform management, such a contract shall not be deemed a contract on control and management in terms of this law.

Entering into a contract

Article 555
A contract on control and management shall be entered into in writing and shall be approved by the stockholders’ meeting of each company that entered into same by a three-fourth majority of attending stockholders, unless a greater majority is laid down by the articles of association of the company.

In the case of general partnership or limited partnership, a contract on control and management shall be approved by all partners, that is, general partners, unless otherwise stipulated by the memorandum of association.

The board of directors, that is, supervisory board if the company has a two-tier board system, shall prepare a report for the stockholders’ meeting of the company when submitting a contract on control and management to the stockholders’ meeting for approval also stating financial data and data on the operation of the company wherewith a contract is to be entered into.

In the report referred to in Paragraph 3 of this Article, the legal and economic reasons for entering into a contract and the content thereof, including the amount of remuneration for management, that is, the method of determination thereof, shall be stated.

The report referred to in Paragraph 3 of this Article may be prepared as a joint report for all companies entering into a contract.

A contract on control and management shall be registered in accordance with the law on registration and may not come into force before the registration date.

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Notice on the conclusion of a contract on control and management shall be published on the website of the companies register as of the date of registration referred to in Paragraph 6 of this Article and shall be made available for not less than 90 days.

Amendments to and termination of a contract

Article 556

A contract on control and management shall be amended in accordance with the procedure under which it was entered into.

Unless otherwise agreed, and a contract on control and management was entered into for an indefinite period of time, each contractual party is entitled to terminate the contract only as of the end of a business year or such other agreed accounting period by giving termination notice in writing to all other contractual parties at least 30 days before the end of the business year, that is, such other agreed accounting period.

The termination of the contract on control and management on any grounds shall be registered in accordance with the law on registration and shall be published by applying Article 555 Paragraph 7 hereof accordingly.

The notice referred to in Paragraph 3 hereof shall also include notice to the creditors on their right to seek relevant protection from the controlling company with respect to the collection of its receivables towards the subsidiary.

2.2. Rights, obligations and responsibilities from the contract on control and management

Binding instructions

Article 557

If a contract on control and management is in place, a controlling company is entitled to issue binding instructions to a subsidiary on the method of conducting operations, guided by the interests of the group.

If the implementation of a particular instruction referred to in Paragraph 1 of this Article requires a resolution or approval by the board of directors of a subsidiary, that is, supervisory board if the subsidiary has a two-tier board system, and such a resolution or approval has not been granted within a reasonable deadline, the director, that is, executive board of the subsidiary shall be obligated to promptly notify the controlling company thereof, unless otherwise stipulated by the contract on management and control.

In the case referred to in Paragraph 2 of this Article, the instruction may be re-issued only with the consent of the board of directors of the controlling company, that is, supervisory board if the controlling company has a two-tier board system.

Responsibility of the director of a controlling company

Article 558

Directors of a controlling company shall be obliged to issue the instructions to the subsidiary referred to in Article 557 hereof with due diligence, where the provisions of Articles 61 through 84 hereof on the special duties of directors shall apply accordingly to the directors of a controlling company and in relation to a subsidiary.
Exclusion of liability of the director of a subsidiary  
Article 559  
Directors, that is, members of the supervisory board shall not be liable for the damage incurred as a result of breach of special duties towards the company referred to in Articles 63 through 80 hereof if they acted in accordance with the instructions set out in Article 557 hereof.

Liability of a controlling company  
Article 560  
A controlling company shall be liable for the damage a subsidiary incurred by acting in accordance with the binding instructions referred to in Article 557 Paragraph 1 hereof.

3. Protection of the shareholders and creditors of a subsidiary

Payment of consideration  
Article 561  
A consideration against a contract on control and management may not be paid if the subsidiary operated with losses.
In the case referred to in Paragraph 1 of this Article, the consideration for the period during which the subsidiary operated with losses may be paid in the year when the subsidiary generated profits.
An interest shall not be calculated on the consideration referred to in Paragraph 1 of this Article.

Appropriate consideration to external stockholders  
Article 562  
An external stockholder in terms of this law shall be understood to mean a stockholder of a subsidiary which is neither a controlling company nor a stockholder of the controlling company.
A contract on control and management shall define an appropriate consideration per stock which the controlling company is obliged to pay to the external stockholders on an annual basis.
The consideration referred to in Paragraph 1 of this Article shall be determined according to a projection of the future average expected dividend per stock for the following three business years which a company would pay if no contract on control and management were signed, at least in the amount of an average dividend per stock for the previous three business years.
Notwithstanding Paragraph 1 of this Article, if the controlling company is the sole stockholder of a subsidiary, a contract on control and management shall not prescribe the consideration set out in Paragraph 1 of this Article.
Amendments to or termination of the contract on control and management reversing the consideration to the minority stockholders shall be made with the consent of such stockholders which they grant as a special class of stocks.
Evaluation of the appropriateness of the consideration by the court
Article 563
An external stockholder of a subsidiary may seek from the competent court, within three months from the date of registration of a contract on control and management, that is, amendments thereto, and in accordance with the law on registration, to determine the appropriate consideration in out-of-court proceeding if it deems the consideration determined by the contract inappropriate.

If, acting pursuant to the request referred to in Paragraph 1 of this Article, the court determines a higher consideration than agreed, the controlling company is entitled to terminate the contract on control and management within three months from the finality date of the court’s ruling, without a notice period.

Right to sale of stocks
Article 564
A contract on control and management shall lay down the right of external stockholders to sell their stocks to the controlling company at the price relevant to the market value of stocks stipulated in Article 57 hereof.

Instead of paying the price referred to in Paragraph 1 of this Article, a contract on control and management may stipulate the right to exchange the stocks for the stocks of the controlling company at the ratio provided for in the contract.

The ratio referred to in Paragraph 2 of this Article shall correspond to the ratio at which the stocks of a subsidiary would be exchanged for the stocks of the controlling company in the event of acquisition of the subsidiary by the controlling company.

In the case set out in Paragraph 2 of this Article, an additional payment in cash to external stockholders may also be stipulated, which shall be subject to the provisions governing additional payments in cash regarding status changes.

A contract on control and management which fails to set forth the right referred to in Paragraph 1 of this Article or to determine the price set out in Paragraph 1 of this Article shall be null and void.

Evaluation of the appropriateness of the price by the court
Article 565
An external stockholder that deems the price referred to in Article 564 Paragraph 1 hereof or the ratio referred to in Article 564 Paragraph 2 hereof incorrect may, within three months from the registration date of the contract on control and management, that is, amendments thereto and in accordance with the law on registration, seek from the competent court to determine the appropriate price, that is, ratio in out-of-court proceeding.

If, at the request of an external stockholder, the court determines a higher price or a ratio which is more favourable for the external stockholders, the company shall be obliged to publish the court’s ruling on its website immediately after it becomes final and to submit it to the companies register for the purpose of publication on the website of the register.

The court’s ruling referred to in Paragraph 2 of this Article shall be binding for the company in relation to all external stockholders.
Protection of Creditors

Article 566

If the validity of a contract on control and management terminates, a controlling company shall be obligated to provide the creditor of a subsidiary at its written request filed within six months from the termination of validity of the contract, with the relevant protection for the collection of its claims incurred before the registration of contract termination in accordance with the law on registration.

The creditors of a subsidiary whose claims are secured, or which would be in the first or second rank of priority in the event of bankruptcy of a subsidiary are not entitled to the relevant protection in accordance with the law governing bankruptcy.

XII COMPANY BRANCH AND FOREIGN COMPANY REPRESENTATIVE OFFICE

1. Company branch

The definition of a branch

Article 567

A company branch (hereinafter referred to as: the branch) is a separate organizational part of a company through which the company conducts its business activity in keeping with the law.

A branch does not have legal entity status, and acts in the name and on behalf of the company in legal transactions.

The company has unlimited liability for obligations to third parties ensuing from the business activities of its branch.

Setting up of a branch

Article 568

A branch is set up following a resolution adopted by the shareholders’ meeting, i.e. partners or general partners, unless provided otherwise in the memorandum of association, i.e. articles of association.

The resolution from Paragraph 1 of this Article contains especially:
1) the company’s business name and company number;
2) branch address;
3) branch’s core activity which may differ from the company’s core activity;
4) personal name, i.e. business name of the branch’s representative and scope of authorities of the representative, if the branch representative is different from the company representative.
Dissolution of a branch
Article 569
A branch is dissolved through:
1) a resolution adopted by the shareholders’ meeting, i.e. branches and general partners unless the memorandum of association, i.e. articles of association provide otherwise;
2) dissolution of the company of which it is a part.

Branch registration
Article 570
A branch may be registered in line with the law on registration.
Notwithstanding Paragraph 1 of this Article, the following is mandatorily registered:
1) a domestic company branch, if it has a representative different from the company representative or if it is stipulated in a separate law as a condition to conduct business activity;
2) a foreign company branch.
If a branch was registered in line with Paragraphs 1 and 2 of this Article, data on the branch, changes of these data and dissolution of the branch are to be registered in line with the law on registration.

Effect of registration on the branch representative
Article 571
If the branch representative is registered in line with the law on registration, this person is considered a representative of the entire company and provisions of Article 33 hereof are applied accordingly with regard to the issues regarding effect of restricting authorities to represent towards third parties.

Use of business name and other data
Article 572
A branch participates in legal transactions under the company’s business name, indicating the following:
1) that it is its branch;
2) the branch’s address, if different from the company seat address;
3) branch name, if any.
Provisions of Article 25 hereof regulating the use of the business name and other data in the company documents are applied accordingly to the use of the business name and other data in the branch’s documents.

Particularities with regard to a foreign company branch
Article 573
A foreign company branch is its detached organizational part through which the company conducts business activities in the Republic of Serbia in keeping with the law.
Resolution to set up a branch from Paragraph 1 of this Article includes in particular:
1) the branch’s name and address;
2) the branch’s core activity;
3) personal name, i.e. business name of the branch’s representative and scope of authorities of the representative;
4) name and seat of the register in which the branch founder was registered;
5) name, legal form and seat of the branch founder;
6) company/registration number of the branch founder;
7) personal name, i.e. business name of the branch founder representative;
8) data on the registered capital of the founder, if such data are registered according to the law of the country in which such founder is registered.

On registration of the branch from Paragraph 1 of this Article, data from Paragraph 2 are registered, and, in line with the law on registration, the following data are also registered:
1) changes of data from Paragraph 2 of this Article;
2) financial statements of founders which were drawn up, audited and published based on the law of the country in which the founder has such an obligation.
3) dissolution of the branch.

2. A foreign company’s representative office

The definition of a foreign representative office

Article 574

A foreign company’s representative office (hereinafter referred to as: the representative office) is its separate organizational unit which may conduct preliminary and preparatory actions for the purpose of concluding that company’s legal transactions. A representative office does not have legal entity capacity.

A representative office may conclude only legal transactions with regard to its current operations.

A foreign company is liable for obligations towards third parties which ensue from the business activities of its representative office.

Setting up of a representative office

Article 575

A representative office is set up following a resolution of the foreign company’s competent authority.

The resolution from the Paragraph above shall include:
1) name and seat of the register in which the representative office founder was registered;
2) name, legal form and seat of the representative office founder;
3) company/registration number of the representative office founder;
4) personal name, i.e. business name of the representative office founder representative;
5) representative office address;
6) personal name, i.e. business name of the representative office representative.
Dissolution of the representative office
Article 576
A representative office is dissolved through:
1) resolution on representative office dissolution;
2) dissolution of the representative office founder.

Representative office registration
Article 577
A representative office is registered in line with the law on registration.
On registration of the representative office, data from Article 575, Paragraph 2 hereof are also registered and, in line with the law on registration, the following data are also registered:
1) changes of data from Article 575, Paragraph 2 of this Article;
2) dissolution of the representative office.

A business association
Article 578
A business association is a legal entity incorporated by two or more companies or entrepreneurs to achieve common interests.
A business association may not conduct business activities to gain profit, but only to achieve common interests of its members.
Legal form of the business association is indicated in the business name as “poslovno udruženje” (business association) or “p.u.” or “pu”.
A business association acquires the capacity of a legal entity through registration in line with the law on registration.

Business association’s memorandum of association
Article 579
A business association’s memorandum of association is an agreement signed by all members whose signatures are certified in line with the law regulating signature certification.
A business association’s memorandum of association includes in particular:
1) business name, seat and company/registration number of members of the business association;
2) business name and seat of the business association;
3) aim of incorporating a business association;
4) business association’s business activity;
5) determining the bodies of the business association and their competences;
6) duration of the business association;
7) obligations of members of the business association;
8) joining, withdrawing and expelling of members.
The business association is liable with its entire assets, and members in the way determined in the memorandum of association for obligations in legal transactions.

All business association members have equal rights and obligations, unless the memorandum of association provides otherwise.

A business association may not change legal form into the legal form of a business company.

Application of provisions on limited liability companies

Article 580

Provisions hereof on limited liability companies apply accordingly to a business association, unless this law provides otherwise.

XIII PENAL PROVISIONS

1. CRIMINAL ACTS

Drawing up of a statement with untrue contents

Article 581

A company’s legal representative, or a member of a company’s body, as well as the liquidator, authorised court expert, auditor or another professional person who draws up an untrue statement which is provided herein as a condition to conducting a particular procedure, with the intention of initiating, and/or, carrying out, and/or, ending that procedure, or as a condition to effectiveness or enforcement of a company’s resolution, shall be punished with a six-month to five-year prison sentence and fined with a pecuniary fine.

If the act from Paragraph 1 of this Article was committed with the intention of damaging the company’s creditors or company’s shareholders, and the amount for which these persons have been damaged exceeds ten million dinars, the perpetrator shall be punished by a one- to ten-year prison sentence and fined with a pecuniary fine.

In addition to the prison sentence, the court may order a ban on performing the function, that is, profession to the perpetrator for a period of up to two years, or for the duration of the prison sentence at the most.

Conclusion of a legal transaction or taking action
in case of existence of a personal interest

Article 582
If the person from Article 61 hereof, who has a special duty towards the company, fails to report to the company a legal transaction or action in which he/she has a personal interest, i.e. does not procure an approval of the legal transaction or action from the company in case of existence of a personal interest from Article 66 hereof, with the intention of having that company conclude an agreement or take an action in which it will suffer damage, that person shall be fined with a pecuniary fine or sentenced to a prison sentence of up to one year.

If, due to perpetration of an act from Paragraph 1 of this Article the company suffered damage which exceeds ten million dinars, the perpetrator shall be sentenced to a six-month to five-year prison sentence and fined with a pecuniary fine.

In addition to the prison sentence, the court may order a ban on performing the function, that is profession to the perpetrator for a period of up to two years, or for the duration of the prison sentence at the most.

**Breach of duty to avoid conflict of interest**

**Article 583**

If the person from Article 61 hereof, who has a special duty towards the company breaches the duty of avoiding the conflict of interest from Article 69 hereof with the intention of procuring material gain for himself/herself or another person, that person shall be fined with a pecuniary fine or sentenced to a prison sentence of up to one year.

If, due to perpetration of an act from Paragraph 1 of this Article the company suffered damage which exceeds ten million dinars, the perpetrator shall be sentenced to a six-month to five-year prison sentence and fined with a pecuniary fine.

In addition to the prison sentence, the court may order a ban on performing the function or profession to the perpetrator for a period of up to two years, or for the duration of the prison sentence at the most.

**Breach of duty of the representative to act in line with restrictions of authority to represent**

**Article 584**

If a company representative breaches his/her duty in line with restrictions of his/her authorities, established in the company documents or resolutions of the company’s competent bodies from Article 33, Paragraph 1 hereof, that person shall be fined with a pecuniary fine or sentenced to a prison sentence of up to one year.

If, due to perpetration of an act from Paragraph 1 of this Article the company suffered damage which exceeds ten million dinars, the perpetrator shall be sentenced to a six-month to five-year prison sentence and fined with a pecuniary fine.

In addition to the prison sentence, the court may order a ban on performing the function, that is, profession to the perpetrator for a period of up to two years, or for the duration of the prison sentence at the most.

2. COMMERCIAL OFFENCES
Commercial offences of the company which is not a public joint-stock company 
and of the responsible person

Article 585

A company which is not a public joint-stock company shall be fined for committing a commercial offense in an amount of 100,000 to 1,000,000 dinars if the company:

1) conducts business without prior approval, consent or another competent authority act, if it was provided as a condition to conduct that activity in a separate law (Article 4, Paragraph 2)
2) does not use its business name and other mandatory data in its business operations in line with Article 25 hereof or conducts business activities under a business name under which it is in violation of restrictions from Article 27, Paragraph 1 hereof;
3) does not reduce the share capital when the annual financial statement implies that, due to loss, the company’s net assets dropped below the value of the share capital (Articles 148 and 315)
4) provides financial support for acquiring of own shares or stocks (Article 154, Paragraph 1 and Article 280);
5) makes payments to shareholders contrary to provisions on restricting payments (Articles 184 and 276);
6) does not maintain and store its acts and documents in line with this law (Articles 240, 348, Paragraph 7 and 464);
7) does not dispose of, cancel or distribute own shares in line with the obligation of disposing own stocks (Article 288);
8) conducts the reduction of capital contrary to provisions on the protection of creditors (Article 319);
9) violates the ban on creating fictitious capital on the occasion of a status change (article 503);
10) during liquidation takes on new transactions or pays out dividends to shareholders or distributes assets (Articles 531 and 535, Paragraph 3);
11) does not draw up documents which it is supposed to draw up upon payment to creditors in line with Article 540 hereof;
12) as a controlled company, pays out, i.e. as a controlling company receives compensation pursuant to control and management agreement, if the controlled company had a business loss (Article 561);
13) fails to provide appropriate protection to the creditor of the subsidiary after the cessation of its controlling company capacity, in line with Article 566 hereof.
14) fails to adjust to the provisions hereof or fails to adjust within the prescribed term in line with this law.

For actions committed under Paragraph 1 of this Article, the responsible person in the company shall be fined for committing a commercial offence with a pecuniary fine ranging between 20,000 and 200,000 dinars.

Commercial offences of the company which is not a public joint-stock company 
and of the responsible person

Article 586
A public joint-stock company shall be fined for committing a commercial offense in an amount of 200,000 to 2,000,000 dinars if:

1) altered circumstances from Article 54 hereof occur, and the company fails to carry out a new assessment of the value of the in-kind contribution in line with Articles 51 and 53 hereof;

2) it determines the issue price of stocks or a discount to that price contrary to Article 261 hereof;

3) it determines the issue price of convertible bonds contrary to Article 264 hereof;

4) it concludes an agreement contrary to Article 269 hereof with stockholders who incorporated it, in the period of two years from the date of registration of incorporation;

5) it pays out dividend to a stockholder contrary to Article 273 hereof;

6) it pays out temporary dividend to the stockholder contrary to Article 274 hereof;

7) it fails to return the paid in, i.e. entered contribution no later than within 15 days of the expiration of deadline to subscribe stocks, in the case of failed increase of capital (Article 298, Paragraph 4);

8) if it does not make the results of voting available to stockholders in line with Article 356 hereof;

9) it does not enable issuing of a power of attorney to vote electronically in line with Article 344, Paragraph 9 hereof;

10) commits a commercial offence from Article 578 hereof.

For actions committed under Paragraph 1 of this Article, the responsible person in the company shall be fined with a pecuniary fine ranging between 40,000 and 400,000 dinars.

2. PETTY OFFENCES

Petty offences of natural persons

Article 587

A natural person shall be fined for a petty offence in an amount from 150,000 dinars if:

1) he/she abuses the right to information and access to acts and documents of the company and publishes them or relates them to third persons (Article 82);

2) offers or grants pecuniary compensation or other gain:

   (1) to a public joint-stock company stockholder for the purpose of procuring a power of attorney to vote in that company’s stockholders’ meeting;

   (2) for having someone vote or not vote in a certain way in the public joint-stock company stockholders’ meeting.

A natural person shall be fined for a petty offence in an amount between 20,000 and 150,000 dinars if:

1) he/she conducts the business activity without doing so through the prescribed forms of conducting a business activity, including the company and the entrepreneur.

Offences of entrepreneurs

Article 588

An entrepreneur shall be fined between 50,000 and 200,000 dinars or sentenced to an up to 30-day prison sentence if:
1) he/she or a person he/she employs does not meet the conditions established by the regulation stipulating protection of population from communicable diseases;

2) conducts business activity from a place which has not been registered in line with the law on registration, except in the case when, due to the nature of the activity itself, the conducting of that activity outside that place is only possible or customary (Article 87);

3) fails to put up his/her business name in its seat, as well as in another place of conducting the activity in line with Article 87, Paragraph 5;

4) conducts the business activity from the place which does not fulfil the conditions established by the regulation providing conditions for performing that business activity (Article 87, Paragraph 6);

5) conducts the activity through a manager who is not registered in line with the law on registration, or who does not meet the special conditions which are prescribed in terms of entrepreneur’s personal qualifications (Article 89);

6) uses labour of persons who are not employed by him/her, contrary to Article 89, Paragraphs 9 and 10 hereof.

For the petty offence from Paragraph 1 of this Article, the material gain earned from committing the offence shall be taken away, and the measure of banning the conducting of the activity for a period between six months to one year may be passed.

For the petty offence from Paragraph 1 of this Article an immediate fine in the amount of 20,000 dinars may be charged.

XIV TRANSITIONAL AND FINAL PROVISIONS

Existing Companies and Entrepreneurs

Article 589

Provisions of Article 29 hereof shall not be applied to existing companies with regard to names and business names registered until the date of entering into force of this law in line with the Law on Registration of Companies (“Official Gazette of the Republic of RS” No. 55/04, 61/04, 61/05 111/09 –as amended) and these procedures shall end in line with provisions of the Law on Business Companies (“Official Gazette of the RS” No. 125/144)

The existing limited liability companies and joint-stock companies which play a role in the work and services are not obliged to adjust their capital in terms of the type of in-kind contribution to the provisions of the new law.

Additional contributions agreed or completed up to the date of start of entering into force hereof shall be considered a loan to the company, according to the terms agreed or provided in the company’s by-law.

Existing closed or open joint-stock companies are considered to be joint-stock companies as referred to in this law, whereby open joint-stock companies are considered to be public joint-stock companies.

Owners of existing partnership stores are obliged to change their form of conducting business activities into the legal form of a company provided in this law by January 1, 2013.

If owners of existing partnership stores do not report the change of legal form to the companies register within the term from Paragraph 5 of this Article, the registrar keeping the
companies register shall ex officio reregister them to the legal form of a partnership provided in this law.

Joint stock companies’ duty to harmonise

Article 590

Memoranda of association of existing joint-stock companies shall continue to be in effect after the start of application of this law in terms of provisions provided as the contents of the memorandum of association of the joint-stock company in line with this law.

Provisions of memoranda of association of existing joint-stock companies not provided herein as contents of a memorandum of association of a joint-stock company shall be considered to be provisions of the joint-stock company articles of association, to the extent that these provisions, that is, provisions regulating the same issues are not included in the joint-stock company’s articles of association as of the date of entering into force hereof.

Existing joint stock companies which do not have articles of association as of the date of coming into effect of this law are obliged to adopt articles of association up to the date of entering into force of this law in line with provisions hereof, which will enter into force as of the date of entering into force hereof.

Existing joint stock companies which have articles of association on the date of coming into effect of this law are obliged to adjust this articles of association with provisions hereof until the date of entering into force hereof.

Existing joint-stock companies are obliged to adjust their share capital and company bodies with the provisions hereof until the date of entering into force hereof.

Forced liquidation proceedings shall be initiated by the companies register over those joint stock companies which fail to act in line with provisions hereof within 30 days of entering into force hereof.

Decision-making majority

Article 591

In existing companies whose memorandum of association, that is, articles of association do not provide the majority required to adopt a certain resolution by the shareholders’ meeting or the memorandum of association or articles of association refer to the application of the majority provided in the Law on Business Companies (“Official Gazette of the RS”, issue No.125/2004), it shall be considered that this resolution is adopted by a majority provided in this law up to the moment when amendments to that memorandum of association, that is, articles of association expressly provide the required majority or provisions hereof are applied to all majorities.

Effect of existing shareholder agreements

Article 592

In existing companies in which shareholders have regulated the method of transferring shares among themselves through a shareholders’ agreement, these provisions shall have the effect towards third parties only if such agreement is registered in line with the law on registration.

Harmonising with provisions hereof ex officio
Article 593

The companies register shall harmonise the share capital of companies which have been registered in line with the law on registration with provisions hereof ex officio, as of the date of coming into effect hereof.

Managing boards of existing limited liability companies and joint-stock companies shall continue working as of the date of entering into force hereof as boards of directors in line with this law, and the companies register shall carry out this change ex officio as of the date of entering into force hereof.

The Business Registers Agency shall pass an act which will specify the way of harmonising the share capital in line with Paragraph 1 of this Article up to the date of entering into force of this law.

Deleted companies
Article 594

Shareholders, or owners of companies which have been deleted from the companies register in line with Article 542, Paragraph 4 of the Law on Business Companies (“Official Gazette of the RS”, issue No.125/2004) shall become co-owners of such companies’ assets as of the date of coming into effect hereof, in ideal parts which correspond to their ownership shares in the share capital of such companies.

Persons from Paragraph 1 hereof may determine a different method of distributing among them the assets from Paragraph 1 of this Article by means of an agreement.

Existing encumbrances on assets from Paragraph 1 of this Article remain in force.

Persons from Paragraph 1 of this Article are liable for obligations of deleted companies from Paragraph 1 of this Article up to the value of property which has become their property in line with this article, that is, agreement from Paragraph 2 of this Article.

Existing entrepreneurs who have not been reregistered from the register of municipal units in local self-governments
Article 595

Entrepreneurs who have not been reregistered from the register of municipal units in local self-governments into the companies register in line with the Law on Registration of Companies (“Official Gazette of the Republic of Serbia” No. 55/04, 61/05, 111/09 –as amended) are considered deleted from the register in which they were as of the date of entering into force hereof.

Exception from provisions on forced liquidation
Article 596

Provisions hereof on forced liquidation shall not be applied to the forced liquidation procedure as provided in the Privatisation Law (“Official Gazette of the Republic of Serbia” No.......).

Existing business associations
Article 597

Business associations from Paragraph 1 hereof are obliged to harmonise their memoranda of association and business operations with provisions hereof until entering into force hereof.

If the existing business associations fail to act in the way and within the term from Paragraph 2 of this Article, upon expiry of 30 days of the date of expiration of the term from Paragraph 2 of this Article, the procedure of forced liquidation shall be effected over such business associations.

Expiry of effect of existing regulations
Article 598


As of the date of entering into force hereof, provisions of Article 4 of the Law on Foreign Trade Operation (“Official Gazette of RS”) shall no longer be in force.

As of the date of entering into force hereof, the provision of Article 214, Item 5) of the Civil Proceedings Law (“Official Gazette of RS” No. 125/2004 and 111/2009) shall not be applied in terms of liquidation proceedings initiated in line with provisions hereof.

Term for adopting by-laws
Article 599

The central register shall adopt the regulation from Article 300, Paragraph 3 hereof within 3 months of the date of coming into effect hereof.

Coming into effect and entering into force
Article 600

This law shall come into effect on the eighth day of the date of its publication in the Official Gazette of the Republic of Serbia and shall enter into force upon expiry of six months of its coming into effect.
Provision of Article 344, Paragraph 9 and Article 582, Paragraph 1, Item 10 hereof shall enter into force as of January 1, 2014.