

LAW

ON THE TAKEOVER OF JOINT STOCK COMPANIES

I- GENERAL PROVISIONS

Article 1

The Law on the Takeover of Joint Stock Companies shall regulate:

- the conditions for submitting bids for the takeover of joint stock companies as share issuers,
- the takeover procedure,
- rights and obligations of participants in the takeover procedure,
- and supervision over the takeover of joint stock companies.

Definitions

Article 2

For the purpose of this Law:

(1) issuer shall mean a public joint stock company pursuant to the Securities Market Law as well as joint stock company established in the property transformation pursuant to the Law on Privatization of State Capital in Enterprises

(2) takeover bid shall mean a public bid for the purchase of all the issuer's shares carrying voting rights in accordance with the terms and conditions provided for in this Law;

(3) offeree shall mean any natural person or legal entity that acquires or has acquired the issuer's shares carrying voting rights;

(4) offeror shall mean any natural person or legal entity that, pursuant to the provisions of this Law, is obliged to announce a takeover bid or intends to carry out a takeover

and publish a takeover bid although such person or entity is not obliged to do so in accordance with the provisions of this Law;

(5) shares carrying voting rights shall mean all the shares that carry voting rights regardless whether that right is limited.

(6) shares shall be acquired by concluding a legal transaction to the account of offeree and registration of the same in the Central Registry of Securities;

(7) Registry shall mean the Central Registry of Securities where shares are being deposited;

(8) the Commission shall mean the Republika Srpska Securities Commission.

General principles

Article 3

The provisions of this Law shall reflect the following principles:

- (1) issuer's shareholders to whom the takeover bid refers shall have an equal position in the takeover procedure;
- (2) issuer's shareholders to whom the takeover bid refers must have sufficient time and information in order to be able to make a decision on a takeover bid by having full insight into the current state of affairs;
- (3) in the course of the takeover procedure, the issuer's management and supervisory boards shall act in the issuer's best interest;
- (4) the offeror and the issuer shall carry out the takeover procedure as quickly as possible, and the issuer may not be prevented from conducting its own business operations longer than stipulated;
- (5) trading with the securities of the offeror, the issuer and other companies participating in a takeover bid must not create any market distortion.

II- THE OBLIGATION TO PUBLISH A TAKEOVER BID

Article 4

(1) The person that acquires the issuer's shares which, together with the shares that he/she already possesses, exceed a threshold of 25% of the total number of votes accorded by the issuer's shares carrying voting rights, shall notify the issuer, the Commission and the public of such acquisition without any delay and publish a takeover bid in accordance with the terms and conditions defined by this Law.

(2) The person that, based on a takeover bid, has acquired less than 75% of shares carrying voting rights, shall publish a takeover bid in the case of further acquisition of shares of the same issuer.

(3) The issuer shall be obliged to inform the Committee on acceptance and the content of the takeover bid within three days from the day of the publishing of the takeover bid pursuant to the paragraph 1 of this Article.

(4) The notice referred to in paragraph 1 of this Article and Article 5, paragraph 2 of this Law shall contain the details set out in Article 12, paragraph 1, items 1, 2 and 3 of this Law, as well as the offeror's statement that he/she will publish a takeover bid within a legal deadline.

The notice shall be published as stipulated by Article 18, paragraph 1 of this Law.

(5) The notification obligation referred to in paragraphs 1 and 3 above shall always be applied accordingly when the offeror must assume the obligation to publish a takeover bid.

Article 5

(1) The person that is not obliged to publish a takeover bid pursuant to the provisions of this Law and intends to carry out a takeover can publish a takeover bid only in accordance with the terms and conditions defined in this Law.

(2) In the case referred to in paragraph 1 above, the offeror shall notify the issuer, the Commission and the public of his/her intention to publish a takeover bid.

(3) By announcing his/her intention set out in paragraph 2 above, the offeror shall become obliged to publish a takeover bid in accordance with the terms and conditions defined by this Law.

Article 6

(1) A bid or general bid sent to the issuer's shareholders with a view to acquire the issuer's shares carrying voting rights shall not be allowed if such acquisition creates the obligation to publish a takeover bid.

(2) A public or any other invitation to bid sent to the issuer's shareholders with a view to acquire the issuer's shares carrying voting right shall not be allowed if such acquisition creates the obligation to publish a takeover bid.

(3) Until the offeror has carried out the takeover procedure pursuant to the provisions of this Law, his/her shares and the shares of the persons that act in concert with the offeror shall not be carrying voting rights.

III- EXEMPTIONS FROM THE OBLIGATION TO PUBLISH A TAKEOVER BID

Article 7

(1) The offeree shall not be obliged to publish a takeover bid if:

- 1) he/she acquires the issuer's shares by inheritance;
- 2) he/she acquires the issuer's shares by division of marital acquisition;
- 3) he/she acquires the issuer's shares by increasing the initial capital through investments in issued shares by a private offering, and the issuer's general assembly, prior to the registration of shares, agrees that the offeree may acquire more than 25% of the total number of shares carrying voting rights without the obligation to publish a takeover bid;
- 4) he/she acquires the shares of the issuer that is a bankruptcy debtor in bankruptcy proceedings;
- 5) he/she acquires the issuer's shares through a merger of companies,
- 6) he/she acquires shares through a change of the company's legal form;
- 7) the/she legal entity acquires the issuer's shares from another legal entity whose members or shareholders are directly or indirectly the same persons, or if it acquires shares through a transfer due to restructuring within the group.

8) if he/she acquires issuer's shares through purchase in the process of property transformation

(2) The issuer's general assembly shall grant the approval set out in paragraph 1, item 3 above by a majority of votes cast by the present members of the general assembly, excluding the votes of the offeree and the persons that act in concert with it.

(3) If the person who acquires shares on the manner as described in the paragraph 1 of this article proceeds to acquire shares of the same issuer, he shall be obliged to publish a takeover bid.

IV-ACTING IN CONCERT

Article 8

(1) Natural persons and/or legal entities shall act in concert:

1) if they have agreed to harmonise their actions with respect to the acquisition of the issuer's shares or with respect to exercising their right to vote towards the issuer; or

2) if one of them holds shares for the account of another.

(2) Legal entities, as well as natural persons and legal entities, shall act in concert when one of them directly or indirectly controls another or other legal entities.

(3) Pursuant to paragraph 2 of this Article, a natural person or legal entity is deemed to be controlling a legal entity if:

1) it holds, directly or indirectly, a share of 25% and larger of the initial capital of the legal entity;

2) it has the right to manage business and financial policies of the legal entity on the basis of statutory authorisations or authorisations arising from agreements;

(4) Acting in concert shall be deemed also if a natural person is a member of managing and supervising bodies of the legal entity, that is if he is employed or professionally engaged or executes certain duties allowing him an access to information of internal nature.

(5) Companies shall act in concert if they are interrelated pursuant to the provisions of the Companies Act.

(6) Natural persons are considered to be acting in concert if they are consanguineously related lineal kin or collateral kin of the first degree, and if they are spouses.

(7) The establishment of acting in concert by an agreement referred to in paragraph 1, item (a) above shall be equal to the acquisition of shares carrying voting rights.

(8) The votes of persons that act in concert with the offeree shall be added to the offeree's votes.

(9) When the obligation to publish a takeover bid results from the establishment of acting in concert based on an agreement referred to in paragraph 1, item (a) above, or if one of the persons that act in concert acquires shares so that such

acquisition results in the obligation to publish a takeover bid, every such person shall be obliged to publish a takeover bid in accordance with the terms and conditions defined by this Law. The obligation to publish a takeover bid shall be deemed fulfilled if the bid has been published by any of the persons who act in concert.

V-ASSURANCE OF ASSETS

Article 9

(1) Prior to filing a request for the approval to publish a takeover bid, the offeror shall be obliged to fulfil one of the terms:

- the offeror shall put on a separate bank account the funds necessary for the payment of all shares that constitute the subject of the takeover bid,
- or conclude a loan agreement with the bank for this purpose,
- or obtain an irrevocable first call bank guarantee on behalf of shareholders who will deposit their shares,

(2) When the takeover bid is published by a bank, such bank shall agree with another bank on the assurance of funds set out in paragraph 1 of this Article.

(3) The validity of the bank guarantee set out in paragraph 1 of this Article cannot be shorter than 15 days from the last date of the shares payment referred to in Article 15, paragraph 7 of this Law.

(4) The offeror must not dispose of funds that are put on a separate account in order to assure the payment of deposited shares, except for the payment of deposited shares. The offeror shall be obliged to make it possible for the Commission to have an independent insight into the balance on the separate account.

(5) Upon the expiry of the takeover bid validity period, the offeror may withdraw a surplus from the separate account of the funds necessary for the payment of deposited shares, only after the Commission has received a report on the takeover.

(6) The offeror must immediately notify the Commission of any change to the conditions of the separate account agreement, the loan agreement or the bank guarantee, and submit a copy of the amended agreement or guarantee.

(7) The Commission may stipulate an additional item to the content of the separate account agreement or the loan agreement or the bank guarantee, and it may stipulate the conditions to be fulfilled by the banks granting loans or giving guarantees in order to assure the purpose set out in paragraph 1 above.

VI-CONCLUDING AGREEMENT ON THE DEPOSIT OF SHARES

Article 10

(1) Prior to filing a request for the approval to publish a takeover bid, the offeror shall conclude an agreement on the deposit of shares with the custodian for the acceptance of the takeover bid.

(2) The custodian shall conclude an agreement on the deposit of shares in the cases defined by this Law and other regulations.

(3) When concluding the agreement referred to in paragraph 1 of this Article, the offeror shall provide the custodian with all the details necessary for the preparation and deposit of shares, the details on the manner in which the bid will be published and other details stipulated by the rules on the deposit of shares.

(4) The offeror shall notify the custodian without any delay of any change in the takeover bid.

VII-OBLIGATIONS OF THE ISSUER'S MANAGEMENT BOARD

Article 11

(1) After the offeree has notified the issuer of the acquisition of shares due to which he is obliged to publish a takeover bid, or of the intention to publish a takeover bid, and until the finalisation of the takeover bid, the issuer's management board:

1) cannot exercise its statutory authorisation to increase the issuer's initial capital by issuing new shares until the expiration of the takeover bid validity period and the payment term, or until the expiration of the publication deadline for the takeover bid if the latter has not been published.

2) must not make a decision on extraordinary business operations that could significantly change the balance of the company's assets or liabilities;

3) must not, without a prior approval of the general assembly, make a decision on the company's acquisition or alienation of its own shares;

(2) In the case of paragraph 1 of this Article, issuer's management board shall be obliged to notify the issuer's employees of the takeover bid.

VIII - MANDATORY CONTENT AND CONDITIONS OF A TAKEOVER BID

Article 12

(1) A takeover bid shall contain:

1) the issuer's name, registered office and business address;

2) the name, registered office and business address, or the name, family name and address of the offeror and the persons that act in concert with the offeror;

3) all details, including the number of votes expressed both as absolute number and as percentage, of all the issuer's shares belonging to the offeror, including the shares of the persons that act in concert with the

offeror;

- 4) a clear statement stating that the bid has been submitted to all the issuer's shareholders who hold shares carrying voting rights and that the offeror undertakes to buy every share carrying voting rights pursuant to the stipulated and published conditions;
- 5) the price per share that the offeror undertakes to pay;
- 6) the payment term and manner;
- 7) the custodian's name, registered office and business address;
- 8) the bid validity period;
- 9) detailed instructions on the way and effects of the deposit of shares, and on other rights and liabilities of shareholders who deposit shares, particularly on the right of shareholders to waive the acceptance of the takeover bid by withdrawing the shares from the depository facility;
- 10) the indication of the offeror's specified objectives and intentions regarding the company that is being taken over in the case of a successful public bid;
- 11) other conditions of the bid stipulated by this Law or other regulations of the Commission.

The offeror shall enclose with the bid submitted to the Commission the original or a certified copy of the following documents:

- 1) excerpt from the court registry if the offeror is legal entity, that is certified copy of the ID if the offeror is a natural person;
- 2) documents on legal business of acquiring issuer's shares in the period of one year from the day of the publishing takeover bid
- 3) a bank guarantee or loan agreement or separate account agreement and evidence that funds for shares have been paid;
- 4) an agreement concluded with the custodian on performing share deposit activities;
- 5) a prior approval of the Banking Agency if the subject of the takeover are shares of banks or savings banks;
- 6) a prior approval of the Ministry of Finance if the subject of the takeover are shares of insurance companies;
- 7) a prior approval of a competent institution in other cases when this is prescribed;
- 8) if the offeror is a legal entity or a natural person with a registered office or temporary residence or permanent residence abroad:
 - a statement authorising a proxy (name, registered office and business address or name, family name and address) to receive documents in the Republika Srpska, provided that the proxy can be a lawyer, public notary, bank or company dealing in securities;
 - a court register excerpt or other relevant register excerpt showing the form of legal personality, registered office, business address and a list of authorised proxies. Such excerpt, translated into the Serb language by a

certified court interpreter, shall be dated not later than 30 days prior to the date of the submission of a request for the issuance of a prior approval.

Article 13

(1) Within 30 days after the obligation has arisen to publish a takeover bid, the offeror shall submit a request to the Commission for the approval to publish a takeover bid, the bid and the documents set out in Article 12 of this Law.

(2) The Commission shall issue a formal decision on the offeror's request to publish the takeover bid within 30 days after the receipt of a duly submitted request.

(3) If the request for approval of the takeover bid has not been submitted according to procedures or followed by the complete documentation from Article 12 of this Law, the Commission shall submit to the offeror a written conclusion on the shortages to be removed within 15 days the latest from the day of receipt of conclusion.

(4) If the Commission does not issue a formal decision on the request to publish a takeover bid within the deadline set out in paragraph 2 of this Article, or if it does not notify the offeror of initiating special investigation proceedings which cannot last more than 30 days, the request shall be deemed approved.

(5) The offeror may file a request for the approval to publish a modification of the takeover bid to the Commission not later than 10 days prior to the expiration of the bid validity period. The Commission shall issue a formal decision on the offeror's request for the approval to publish such modification within 3 days after the receipt of a duly submitted request.

(6) If the Commission does not issue a formal decision on the request to publish a takeover bid within the deadline referred to in paragraph 5 of this Article, the request shall be deemed approved.

(7) The Commission shall not assume responsibility for the accuracy and truthfulness of the information specified in a takeover bid.

Article 14

(1) The offeror cannot impose any conditions whatsoever on the obligation to purchase the shares that are the subject of a takeover bid.

(2) By way of derogation from the provision of paragraph 1 of this Article, the offeror may state in a bid that he will not purchase

- encumbered shares (lien, prolongation right, proscribe of disposal, etc.)
- the shares that will be deposited for the acceptance of the takeover bid if the total number of votes accorded by such deposited shares, together with the total number of votes that the offeror already has, does not exceed 50% of voting rights accorded by all the issued shares carrying voting rights. In such a case, if an insufficient number of shares is being deposited, the offeror shall not be obliged to purchase and take over the deposited shares.

Article 15

(1) The bid shall be valid for 30 days after its publication. In the case when competing takeover bids are published, the offeror may extend this deadline until the expiration of the deadline of such competing bids.

(2) In the case when a modification of a takeover bid is published, the bid validity period shall be extended by seven days, whereby the entire bid validity period may not exceed 60 days, except if it has been extended due to the publication of competing bids.

(3) The offered price may not be lower than the highest price at which the offeror or the person that acts in concert with it, has acquired shares carrying voting rights in a period of one year prior to the publication date of the takeover bid.

(4) If the offered price from the preceding paragraph is lower than the average price achieved on a stock exchange or regulated public market, the offeror must offer at least the average price achieved on the stock exchange or regulated public market.

(5) If the offeror or the person who acts in concert with the offeror has not acquired, within a year prior to the publication of the bid, the issuer's shares that are the subject of the bid, the price in the bid may not be lower than the average price achieved on the stock exchange or the regulated public market.

(6) The average price of shares listed on the stock exchange or regulated public market is calculated as the weighted average of close prices in the last 3 months prior to the day when the obligation to publish a takeover bid has arisen.

(7) The payment term shall be determined in days from the day of the expiration of the bid validity period and may not exceed 14 days after the last bid date. The offeror must not effect the payment prior to the expiration of the bid validity period.

(8) The offeror may neither reduce the offered price nor change the payment term or mode as stipulated by the bid, but he can increase the offered price. The offeror must pay the same price for each share of the same class.

(9) If the offeror increases the offered price, he must assure the funds for the settlement pursuant to the provisions of Article 9 of this Law.

(10) The shareholder shall accept the bid by depositing the shares that are the subject of the takeover bid with the custodian by the expiration of the bid validity period.

(11) The shareholder may withdraw his shares from the custodian facility by the expiration of the bid validity period or if the offeror does not pay the shares within the payment term and if the competing takeover bid has been submitted. The withdrawal of shares from the custodian facility bears the effect of waiving the acceptance of the bid, i.e. of terminating the contract.

(12) The shareholder may not dispose of the shares that he/she has deposited for the purpose of accepting the bid.

IX - COMPETING TAKEOVER BID

Article 16

(1) A competing takeover bid is the bid that, pursuant to the provisions of this Law, may be submitted by any legal entity or natural person.

(2) The competing takeover bid may be submitted only after its publication and during the takeover bid period.

Article 17

After the offeror has published a takeover bid, third parties shall not be allowed to publish their intention to acquire or alienate the issuer's shares in the media or electronic media accessible to the public. Instead, they shall publish the competing takeover bid pursuant to the provisions of this Law.

X-THE PUBLICATION OF A BID

Article 18

(1) The offeror shall publish a takeover bid and any amendment thereto in the Official Gazette of the Republic of Srpska, and in another daily newspaper which is regularly sold in the entire territory of the Republic of Srpska, within seven days after the receipt of the formal decision set out in Article 13, paragraphs 2 and 4 of this Law or after the expiration of the deadline set out in Article 13, paragraphs 3 and 5 of this Law.

(2) The offeror shall be deemed to have fulfilled the obligation to publish the bid within the deadline if, prior to the expiration of the deadline, all advertisers have accepted the orders for publication in the first following issue. The offeror shall submit to the Commission without any delay the evidence of the order acceptance.

(3) The offeror shall submit the takeover bid and any amendment thereto to the issuer and to any stock exchange and regulated public market on which the issuer's shares are traded, not later than on the same day when it submits publication orders to advertisers.

(4) The bid validity period shall be calculated as of the later publication.

(5) The bid published after the publication deadline shall be valid.

(6) If requested so by a shareholder, the issuer shall provide all the available information on the takeover bid. The same shall apply to all amendments thereto.

Article 19

(1) The offeror may withdraw the published takeover bid if:

- 1) the competing bid is higher;
- 2) the issuer has become bankrupt.

(2) The offeror shall announce the withdrawal of the takeover bid in the manner prescribed for the publication of a takeover bid.

XI-DEPOSIT OF SHARES

Article 20

(1) The shares that are displayed in legal trade as electronic records with the depository shall be deposited by a transfer from a shareholder's account to a separate account opened for the deposit of shares for the purpose of accepting the takeover bid, from which account the shares may be transferred to the shareholder's account in the case of their withdrawal from the custodian facility.

(2) The shares from the preceding paragraph of this Article shall be deposited by submitting or delivering to the custodian a written order for the acceptance/withdrawal of the takeover bid which, besides the information on the takeover bid, shareholder and deposited shares, shall contain the shareholder's authorisation granted to the custodian to send, on behalf and for the account of the shareholder, a written invitation to the guarantor to effect the payment against the issued bank guarantee, as well as the shareholder's signature.

Article 21

The shareholder may not renounce the right to withdraw the shares from the custodian facility. The offeror may not invoke the shareholder's statement on renouncing the right to withdraw the shares from the custodian facility.

Article 22

(1) Custodian shall inform the issuer without delay, on each individual deposit and withdrawal of deposited shares.

XII- TRANSFER OF SHARES BASED ON A TAKEOVER BID

Article 23

(1) If the shareholder has deposited the shares in accordance with the conditions set out in the takeover bid, the acceptance of the takeover bid and the offeror's obligation to pay the price of the deposited shares shall become effective after the expiration of the bid validity period, except in the cases set out in Article 14, paragraph 2, Article 19 and Article 32, paragraph 7 of this Law.

(2) The offeror may not take over the deposited shares and the shares may not be transferred to the offeror before the expiration of the bid validity period or until they are paid, which shall be verified by the custodian or the bank in the case of Article 21 of this Law.

Article 24

The Commission may prescribe the rules specifying details of deposit, payment and takeover of shares from the custodian facility.

XIII- TAKEOVER REPORT

Article 25

(1) After the expiration of the takeover bid period and after the expiration of the payment term, the offeror shall publish a takeover report within 7 days as specified by this Law for the publication of takeover bids, and submit it to the Commission, the issuer and every stock exchange and regulated public market where issuer's shares are traded.

(2) The takeover report shall contain the information on the offeror and the issuer, the time and the manner of the publication of the takeover bid and the amendments thereto, the number of deposited shares that the offeror took over and paid, the number of shares whose depositing and withdrawal are questionable, and the total number of shares carrying voting rights of the issuer that the offeror holds after the takeover of deposited shares, including the shares carrying voting rights which belong to the persons that act in concert with the offeror.

(3) If the bid is stipulated in accordance with the provisions of Article 14, paragraph 2 of this Law, and if an insufficient number of shares has been deposited in the bid, the custodian or the bank shall immediately notify of this fact, as well as of the total number of deposited shares, every shareholder that deposited the shares, the Commission, the issuer and the offeror.

(4) The offeror shall publish the notice set out in paragraph 3 of this Article within seven days of its receipt as stipulated by Article 18, paragraph 1 of this Law.

XIV-COSTS

Article 26

The offeror shall bear the costs of the deposit of shares, pay the share price, and bear all the costs of the transfer of shares, as well as all other costs arising from the bid.

XV-PROHIBITION OF THE ACQUISITION AND ALIENATION OF SHARES CARRYING VOTING RIGHTS

Article 27

(1) As of the date when the obligation to publish a takeover bid has arisen until its publication, that is, as of the publication of the bid until the expiration of the bid validity period, the offeror may neither acquire the shares carrying voting rights that

are the subject of the bid, nor undertake to acquire such shares in any other way than on the basis of a takeover bid.

(2) As of the date when the obligation to publish a takeover bid has arisen until its publication that is, as of the publication of the bid until the expiration of the bid validity period, the offeror may neither alienate nor undertake to alienate the shares carrying voting rights at the issuer's general assembly.

(3) The provisions set out in preceding paragraphs of this Article shall apply to all persons acting in concert.

XVI-SUPERVISORY BOARD STATEMENT

Article 28

(1) Within seven days after the publication of the takeover bid, the issuer's supervisory board must publish a substantiated opinion on the takeover bid in the manner in which the bid has been published.

(2) In the substantiated opinion, the issuer's supervisory board shall fully address the takeover bid, placing particular emphasis on the price per share that the offeror undertakes to pay and the offeror's intentions and objectives regarding the company that is being taken over.

(3) Except for the publication of the substantiated opinion set out in paragraph 1 of this article, the members of issuer's management and supervisory boards may not act in any way that may lead to any influence on the takeover bid.

XVII-ACCESS TO THE SHARE REGISTER

Article 29

When the offeree's obligation to publish a takeover bid has arisen, THE Central securities' registry shall, at the offeree's request, provide for the offeree's inspection the information concerning shareholders and issuer's shares.

XVIII-POWERS OF THE COMMISSION AND IMPLEMENTATION OF THE SUPERVISION PROCEDURE

Article 30

(1) Issuers, issuers' shareholders, business banks, brokerage companies and other legal and natural persons shall, at the Commission's request, submit to the Commission for inspection any documentation that the Commission deems necessary in order to carry out supervision, when such supervision is undertaken either to establish the obligation to take over or act in concert, or to supervise the takeover procedure.

(2) The custodian shall, upon the Commission's request, submit for inspection or deliver all the information on the shareholder's ownership position.

(3) The documentation referred to in the paragraphs 1 and 2 of this Article, which may serve as evidence in misdemeanour proceedings, may be temporarily seized by authorised persons of the Commission, subject to issuing a relevant certificate. This may be done only until the misdemeanour proceedings are initiated, when such persons are obliged to submit the said documentation to the body competent for the proceedings.

(4) The offeror or the issuer shall, within a deadline and in the manner set out by the Commission, publish additional statements, notices or amendments concerning the takeover bid.

(5) When the Commission identifies irregularities or illegalities in the takeover procedure, it shall pass a decision on the removal of the identified irregularities and illegalities, determine the deadline for their removal and the deadline for submitting the evidence of the results of the actions that have been taken accordingly.

(6) If the offeror does not act in accordance with the decision of the Commission set out in paragraph 5 of this Article, the Commission may suspend the takeover procedure by a decision, and consequently, declare the takeover bid to be invalid.

(7) If the person who is obliged to publish a takeover bid fails to do so within the legal deadline, the Commission shall pass a decision on the obligation of such person to publish the takeover bid and shall submit such decision to the issuer, custodian, stock exchange or other regulated public market where the issuer's shares have been listed. The Commission shall inform shareholders on this obligation in at least one daily papers sold on the territory of the RS.

(8) Each issuer's shareholder may, through a commercial court with territorial jurisdiction, require a mandatory conclusion of an agreement on shares sale, subject to the conditions according to which the takeover bid had to be published.

(9) in case the person that is obliged to publish the takeover bid fails to act pursuant to the Commission resolution from paragraph 7 of this Article, shall not be able to realize managing rites derived from the issuer's shares that he hold in possession.

Article 31

(1) The Commission shall carry out the supervision procedure set out in Article 30 of this Law in accordance with the provisions of the Law on General Administrative Procedure.

(2) The acts enacted by the Commission shall be final.

(3) The dissatisfied party may initiate the administrative proceedings against the Commission acts.

Article 32

The members and employees of the Commission shall not be held liable for the damage that occurs during the performance of their duties under this Law, except if it has been proven that they acted or failed to act deliberately or out of gross negligence.

XIX- PENALTY PROVISIONS

Article 33

(1) A pecuniary penalty ranging between KM 500 and KM 1,500 shall be imposed on natural persons or legal entities failing to publish a takeover bid when required under this Law.

(2) A pecuniary penalty ranging between KM 300 and KM 1,500 shall be imposed on natural persons, and KM 3,000 to KM 5,000 for legal entities if:

- 1) contrary to the provisions of Article 4 of this Law, they do not notify, without any delay, the Commission, the issuer and the public of the acquisition of shares;
- 2) they publish a takeover bid contrary to the terms and conditions of this Law;
- 3) prior to filing a request for the approval to publish a takeover bid, they do not notify the issuer, the Commission and the public of the intention to publish the takeover bid (Article 5, paragraph 2);
- 4) contrary to the provision of Article 6, paragraph 1 of this Law, they send a bid or general bid to the issuer's shareholders with the purpose of acquiring the issuer's shares carrying voting rights;
- 5) contrary to the provision of Article 6, paragraph 1 of this Law, they send a public or any other invitation to bid to the issuer's shareholders with the purpose of acquiring the issuer's shares carrying voting rights;
- 6) they achieve the right to vote contrary to the provision of Article 6, paragraph 3 of this Law;
- 7) contrary to the provision of Article 9, paragraphs 1 and 2 of this Law, they do not assure the funds for the payment of all the shares that are the subject of the takeover bid;
- 8) the offeror agrees on the validity of a bank guarantee contrary to the provision of Article 9, paragraph 3 of this Law;
- 9) they dispose of the funds deposited on a separate account contrary to the provisions of Article 9, paragraphs 4 and 5 of this Law;
- 10) contrary to the provisions of Article 9, paragraph 6 of this Law, they change the conditions of the loan agreement, the conditions of the separate account agreement or the conditions of the bank guarantee for the payment of shares for which they have offered redemption;
- 11) contrary to the provision of Article 10, paragraphs 1 and 2 of this Law, they do not conclude an agreement on share deposit activities;
- 12) contrary to the provision of Article 10, paragraph 4 of this Law, they do not, without any delay, submit an amendment to the takeover bid to the custodian;
- 13) they publish a takeover bid or takeover bid amendments whose content differs from the text approved by the Commission or considered approved, or if they publish a takeover bid or takeover bid amendments without the

Commission's approval (Article 13);

14) contrary to the provisions of Article 14 of this Law, they stipulate the obligation to purchase the shares that are the subject of the takeover bid;

15) they determine or change the price or the payment mode or term contrary to the provisions of Article 15 of this Law;

16) contrary to the provision of Article 15, paragraph 12 of this Law, they do not assure the funds for the payment of shares;

17) contrary to the provision of Article 15, paragraph 12 of this Law, they dispose of the shares that they have deposited for the acceptance of the takeover bid;

18) contrary to the provision of Article 17 hereof, they publish their intention to acquire or alienate the issuer's shares;

19) they do not publish a takeover bid or the amendments thereto as set out by the provision of Article 18, paragraph 1 of this Law;

20) contrary to the provision of Article 18, paragraph 2 of this Law, they do not submit to the Commission the evidence of the order acceptance;

21) contrary to the provision of Article 18, paragraph 3 of this Law, they do not submit, within the stipulated deadline, the takeover bid or the amendments thereto to the issuer, the stock exchange or the regulated public market where the issuer's shares are traded;

22) contrary to the provision of Article 18, paragraph 6 of this Law, the issuer does not notify every shareholder of the publication of the takeover bid or an amendment thereto or if he does not acquaint them with the information at its disposal;

23) contrary to the provisions of Article 19 of this Law, they do not announce the takeover bid or the bid withdrawal as stipulated for the announcement of the bid;

24) contrary to the provision of Article 25, paragraphs 1 and 2 of this Law, they do not publish or do not deliver to the Commission and the issuer the prescribed report or if such report does not contain the prescribed information;

25) contrary to the provision of Article 26 of this Law, they do not settle the prescribed costs or do not pay the share price;

26) they acquire or undertake to acquire shares contrary to the provision of Article 27, paragraph 1 of this Law;

27) they sell or undertake to sell shares contrary to the provision of Article 27, paragraph 2 of this Law;

28) in their capacity of supervisory board members, they fail to act in accordance with the provisions of Article 28, paragraph 1 of this Law;

29) in their capacity of management or supervisory board members, they act contrary to the provision of Article 28, paragraph 3 of this Law;

30) contrary to the provision of Article 30, paragraph 1 of this Law, they do not provide for the Commission's inspection or do not deliver the documentation that the Commission may consider necessary to carry out

supervision;

31) contrary to the provision of Article 30, paragraph 2 of this Law, they do not provide for the Commission's inspection or do not deliver to the Commission all the information on the shareholder's ownership status.

32) contrary to the provision of Article 30, paragraph 4 of this Law, they do not publish additional statements, notices or amendments concerning the takeover bid;

33) contrary to the provision of Article 30, paragraph 5 of this Law, they do not act in accordance with the Commission's decision or do not submit the evidence of the removal of identified illegalities;

34) if the Commission determines that data from the Article 12, paragraph 1 are not correctly stated

Article 34

(1) A pecuniary penalty ranging between KM 500 and KM 1,500 shall be imposed upon natural persons, and KM 5,000 to KM 10,000 upon legal entities if:

1) contrary to the provision of Article 10, paragraph 3 of this Law, during the conclusion of an agreement on the deposit of shares, they do not submit to the custodian all the data necessary for the preparation and performance of the deposit of shares, the data on the manner of the takeover bid publication and other required data in accordance with the rules on the deposit of shares;

2) the issuer's management board acts contrary to the provisions of Article 11 of this Law;

3) contrary to the provision of Article 15, paragraph 7 of this Law, they pay for the shares prior to the expiration of the bid validity period;

4) contrary to the provision of Article 23, paragraph 2 of this Law, they take over or enable the takeover of deposited shares

5) contrary to the provision of Article 25, paragraph 3 of this Law, they do not notify every shareholder that has deposited the shares, the Commission, the issuer and the offeror that a sufficient number of shares has not been deposited;

6) contrary to the provision of Article 25, paragraph 4 of this Law, they do not publish the notice set out in Article 25, paragraph 3 of this Law or publish a notice whose text differs from the notice that they have received

7) in their capacity of supervisory board members, they fail to act in accordance with the provision of Article 28, paragraph 2 of this Law;

8) contrary to the provision of Article 29 of this Law, they do not provide for inspection of data;

Article 35

(1) A pecuniary penalty ranging between KM 100 and KM 1,500 shall be imposed upon natural persons and KM 1000 to 5000 upon legal entities if:

- 1) contrary to the provision of Article 4, paragraph 3 of this Law, the issuer, within 3 days, does not inform the Commission of the receipt and the content of the notice set out in Article 4, paragraph 1 of this Law;
- 2) contrary to the provision of Article 4, paragraph 4 of this Law, the notice does not contain all prescribed data and the offeror's statement or if such notice contains incorrect information or if it is not published as stipulated by Article 18, paragraph 1 of this Law;
- 3) contrary to the provision of Article 9, paragraph 4 of this Law, they do not provide the conditions for the Commission's independent inspection of the balance of the separate account;
- 4) contrary to the provision of Article 9, paragraph 6 of this Law, they do not inform the Commission, without any delay, of the amendments to the loan agreement or the bank guarantee, or if they do not submit a copy of the amendments to the agreement or bank guarantee to the Commission;
- 5) contrary to the provision of Article 22 of this Law, they do not notify the issuer of the deposit and withdrawal of shares from the custodian facility;

Article 36

A pecuniary penalty ranging between KM 1000 and KM 1700 shall be imposed upon the responsible persons from legal entities for the offence set out in paragraphs Articles 33, 34 and 35.

XX - STATUTE OF LIMITATIONS

Article 37

(1) The misdemeanour proceedings for the offences provided for in this Law may not be initiated after the lapse of a period of three years following the date when the offence was committed.

(2) The statute of limitations shall become effective after the lapse of a period of five years after the date when the offence was committed.

(3) Administered punishments may not be exercised after the lapse of a period of five years following the effectiveness of the decision on the offence.

XXI - TRANSITIONAL AND FINAL PROVISIONS

Article 38

The shareholders that, at the date of enactment of this Law, hold more than 25% of voting rights out of the total number of the issuer's issued shares carrying voting rights and that were not obliged to publish a takeover bid and that following the enactment of this law, acquire the issuer's shares carrying voting rights, shall be obliged to publish a takeover bid.

Article 39

This Law shall enter into force on the eighth day of its publication in the Official Gazette of the Republic of Srpska.

No: 01-721/02
12 September 2002,

President
National Assembly
Banja Luka
sgd., **Dragan Kalinic**