

TAKEOVER LAW
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(Unofficial translation)

I. GENERAL PROVISIONS

Article 1

This Law regulates the method as well as the terms and conditions of the purchase of shares in individual joint stock companies – issuers of securities when a particular person or entity acquires or intends to acquire a share which provides it with over 25% of the voting stock (hereinafter: takeover).

Article 2

- (1) The provisions hereof shall apply to securities of joint stock companies listed on the official markets of the Stock Exchange and which at the moment of announcing the intention for public offer have basic capital of 2.000.000 EURO and at least 25 shareholders (hereinafter: the joint stock company)
- (2) The provisions hereof shall apply to securities that can be traded, that is registered and paid on the primary market and to securities that are traded on the stock exchange in accordance with a law.
- (3) The provisions of this Law shall not apply to the purchase of shares in ownership of the Republic of Macedonia, which are at disposal of the Privatization Agency and the Pension and Disability Insurance Fund of the Republic of Macedonia.

Article 3

Whenever it is stipulated by this Law that a specified person is obliged to make public certain legal and other acts and circumstances, it shall publish them in a daily newspaper which is issued throughout the Republic of Macedonia.

II. PUBLIC TAKEOVER BID

Article 4

- (1) The person or entity which has acquired securities issued by certain joint stock company, whereby these securities, together with other existing securities in its portfolio, ensures it a voting right of not less than 25%, shall submit a public takeover

bid to acquire these securities under the terms and conditions and in the manner laid down herein.

(2) Securities owned by the person or entity shall be considered:

- voting shares;
- voting shares acquired by a third party on its behalf and for the account of the person or entity from paragraph 1 of this Article;
- voting shares owned by a person that is directly or indirectly related to the person stated in paragraph 1 of this Article or owned by a company which is related to the person or entity from paragraph 1 of this Article;
- securities with the right of conversion into voting shares of the person or entity from paragraph 1 and the persons or entities from paragraph 2, items 2 and 3 of this Article; and
- option contracts for purchase of shares for the person or entity from paragraph 1 and the persons or entities from paragraph 2, items 2 and 3 of this Article.

(3) In determining the share mentioned in paragraph 2, items 4 and 5 of this Article, it shall be deemed that the purchase or conversion right has already been exercised.

(4) The takeover bid shall also be made by a person or entity which has already acquired less than 45% of the securities from paragraph 2 of this Article by means of a successful takeover bid under this law and which has acquired an additional 5% of such securities upon the completion of its takeover bid.

(5) The Securities and Exchange Commission shall issue a Regulation determining the criteria about the related persons mentioned in paragraph 2, item 3 of this Article.

Article 5

The public takeover bid may also be submitted by person or entity which at the time of the public takeover bid has not acquired more than 25% of voting shares of the company and wish to carry out a takeover.

Article 6

According to this Law, the bidder is a person or entity that has submitted a public takeover bid in accordance with Article 7, paragraph 1 hereof, regardless of whether such public takeover bid has been submitted by it for the purpose of meeting its obligations stipulated in Article 4 or Article 5 hereof.

Article 7

(1) A public takeover bid (hereinafter: takeover bid) is a written proposal by the bidder for concluding an agreement for sale of securities of a particular company – issuer, which is addressed to all holders of such securities.

(2) The takeover bid shall apply to the following securities:

- voting shares:
- securities with the right of conversion into voting shares.

(3) The price, i.e. the conversion rate for substitutional securities which is determined by the bidder in his takeover bid shall be equal for all securities of individual classes or types of securities which are subject to the takeover bid.

(4) If the bidder acquires more than 10% of the securities which are subject to the takeover bid in the last six months prior to the announcement thereof, his takeover bid shall provide at least the same price of the highest price that has been offered by him for the purpose of acquisition of securities during the last six months prior to the announcement of the takeover bid.

(5) If, in opposition to this Law, the bidder acquires more than 25% of the securities which are subject to the takeover bid prior to the announcement thereof, his takeover bid shall offer the highest price paid by him for any securities acquired after the acquisition of 25% of securities subject to the takeover bid.

Article 8

(1) Instead of the payment of the full price in cash, the bidder may offer in his takeover bid to make payment by securities that meet the terms and conditions laid down in Article 10 hereof (hereinafter: the substitutional securities and substitutional bid).

(2) The bidder may also offer substitutional securities in his takeover bid instead of a partial payment in cash (hereinafter: the combined bid).

(3) The bidder's takeover bid may alternatively also include substitutional securities or payment of the full price in cash, giving the holders of securities which are subject to the takeover bid a right to choose (hereinafter: the alternative bid).

(4) In the event of a combined bid, the bidder may also make an alternative bid, where the right to choose applies either only to the part of the price to be paid in cash or only to the part of the price to be paid in substitutional securities.

(5) Notwithstanding the provisions of the paragraphs 1, 2, 3 and 4 of this Article, the bidder who has acquired more than 25% of securities in opposition to this law, shall offer in his takeover bid the payment of the purchase price in cash only.

(6) Notwithstanding the provisions of the paragraphs 1, 2, 3 and 4 of this Article, the bidder in his takeover bid may offer the payment of securities only in cash if

during the past six months prior to the announcement of his takeover bid he acquired more than 10% of the securities which are subject to the takeover bid.

Article 9

When the bidder's takeover bid offers substitutional securities so that the conversion ratio does not equal one substitutional security for one security that is subject to the takeover bid, the bidder shall offer holders of securities that do not possess sufficient number of securities, in order to accept the total offered price in substitutional securities, a possibility of payment of the remaining balance in cash.

Article 10

- (1) The bidder may include in his offer as substitutional securities only
 - already issued shares or bonds if they are listed on the stock exchange or shares of foreign companies that are listed on the stock exchange which is linked to the exchanges in the Republic of Macedonia;
 - shares or bonds to be newly issued by the bidder for the purpose of the takeover.

(2) The Securities and Exchange Commission (hereinafter: the Commission) may lay down more detailed terms and conditions to be complied with by the substitutional securities with regard to their characteristics.

(3) In the event of issue of substitutional securities from paragraph 1, item 2 of this Article, provisions of the Company Law regulating the increase of joint stock companies' share capital for takeover purposes shall reasonably apply to the increase of the bidder's capital.

(4) The provisions of the Securities Law regulating the public offering of securities shall not apply to the securities from paragraph 1, item 2 of this Article.

(5) When the bidder in his takeover bid offers substitutional securities from paragraph 1, item 2 of this Article, it shall be considered that, by issuing the licence for such takeover bid, the Commission has also issued a licence for a public offering of such substitutional securities.

Article 11

- (1) The takeover bid shall at all events include:
 - securities subject to the takeover bid;
 - the price at which the bidder undertakes to purchase the securities;
 - precisely specified date of payment of securities; and
 - the initial and the closing date for the receipt of the takeover bid by the securities holders.

(2) When the bidder in its bid offers substitutional securities, the takeover bid shall, in addition to the elements from paragraph 1 of this Article, also contain an accurately determined conversion ratio for substitutional securities, their type and class, as well as their last market price prior to the announcement of the takeover bid, in the event of substitutional securities from Article 10, paragraph 1, item 1 of this Law.

(3) In the event of substitutional securities from Article 10, paragraph 1, item 1 hereof, the last market price from paragraph 2 of this Article, shall be the last market price of the securities already issued by the bidder, with which such substitutional securities shall form the same class, or it shall be stated that those are securities which have not been traded at all.

(4) If in addition to the licence from Article 23 hereof, the takeover bid requires a licence or approval by another body, the takeover bid shall also include a provision by which the statement on accepting the takeover bid shall not cause any legal consequences, if the above-mentioned body rejects to issue such licence or approval.

(5) If the bidder offers in his bid substitutional securities as of Article 10, paragraph 1, item 2 of this Law, and the bidder's relevant body has not yet decided on the increase of the share capital required for the issue of such shares or bonds, the takeover bid shall also include a cancellation clause, stipulating that the takeover bid, i.e. the already concluded agreements, whose subject are substitutional securities, shall terminate if the relevant authority fails to make an appropriate decision on the increase of the share capital, i.e. on the issue of bonds within 35 days after the expiration of the term for acceptance of the bid.

Article 12

(1) The takeover bid may lay down the minimum number of securities subject to the takeover bid, which the holders must accept in order to consider the takeover bid successful.

(2) When the condition from paragraph 1 of this Article has been met, the bidder shall publicly announce it on the day following its fulfilment.

(3) The term for acceptance of the takeover bid shall be extended for 14 days, if the condition set in paragraph 1 of this Article fulfilled in the last 14 days before the expiration of the term for acceptance of the bid.

Article 13

Takeover bid shall be unnecessary if:

- the person or entity concerned has acquired the securities mentioned in Article 4 hereof by virtue of merger or partition of the joint stock company in exchange for securities of the legal entity that has ceased to exist due to such merger or partition;

- on the basis of the takeover bid or bids under this law, the person or entity concerned has already acquired at least 45% of the securities mentioned Article 4, paragraph 2 of this Law;
- the person has acquired the securities mentioned in Article (4) hereof by virtue of enlarging the basic capital, issuing securities for a known buyer, once the shareholders' assembly has given an approval that the person concerned may acquire securities in the amount surpassing the condition stipulated in this Law for issuing a takeover bid; and
- the securities have been acquired as a gift among natural persons or by virtue of inheritance.

Article 14

The takeover bid shall be presented on behalf and for the account of the bidder by a bank or a brokerage firm, members of the stock exchange.

Article 14-a

The transactions for buying and selling securities based on public takeover bid shall not be carried out through the stock exchange.

III. TAKEOVER BID PROCEDURE

Article 15

Prior to submitting the takeover bid, the bidder shall at the same time notify the Commission, the managing body of the company-issuer of securities which are subject of the bid and the Monopoly Authority about his intention of submitting a takeover bid, as well as to announce the intention within one business day following the notification.

Article 16

The managing body of the company-issuer of securities which are subject of the takeover bid shall notify the Commission of certain negotiations with the bidder about the takeover, as well as to announce the notification about the intention, within two business days following the receipt of the notification about the intention from Article 15 hereof.

Article 17

(1) If according to the conditions on the capital market it may be concluded that a particular person or group of persons or entities intends to make a takeover, especially if:

- there are negotiations regarding the takeover between the joint stock company and the bidder;

- the stock-market price of a particular security has considerably increased and could lead to a conclusion that a takeover bid will occur; and
- if the relevant administrative body of the bidder has made a decision on fixing the price for the takeover bid which has not yet been published, the Commission may request the person or entity, for which it may reasonably be concluded that it is planning to conduct a takeover within 24 hours following the receipt of the Commission's request, to give a clear statement whether it intends to make a takeover bid or not.

(2) In the case of paragraph 1 of this Article, the Commission may request the managing body of the company-issuer of securities which might be the subject of the takeover bid to give, within 24 hours following the receipt of the Commission's request, a clear statement whether it is familiar with the planned takeover bid.

(3) The statements mentioned in paragraphs 1 and 2 of this Article shall be immediately published by the person or entity from paragraph 1 of this Article, i.e. by the managing body of the company from paragraph 2 of this Article.

Article 18

(1) If the bidder, after issuing the notification in compliance with Article 15 hereof, gives up the intention to make a takeover bid, he shall not make a new takeover bid one year following the day of giving up of his intention. The new takeover bid may be given in a shorter term if the giving up of the intended takeover bid has been approved by the Commission.

(2) The Commission shall grant its approval for giving up the intention to make a takeover bid in the cases stated in Article 37 of this Law.

Article 19

(1) The bidder shall, together with his takeover bid, publish a bidding document (hereinafter: takeover prospectus) not later than 30 days after the notification mentioned in Article 15 hereof.

(2) The takeover prospectus shall include all information which is necessary to enable holders of securities which are the subject of the takeover bid to take an appropriate decision regarding the acceptance of the bid, especially:

- the information about the bidder;
- the information about the company-issuer of securities which is subject of the takeover bid;
- the information about companies acting in respect of the bid on their own behalf and for the account of the bidder;
- the information about companies affiliated with the bidder;
- the purchase price of securities and the basis for fixing this price;
- the information about the securities which are subject of the takeover bid;

- the eventual minimum number of voting shares that have to be sold in order to consider the bid successful;
- the information about the number and type of securities which are subject of the bid and which were acquired by the bidder prior to the submission of the takeover bid;
- the information about the term and method of payment offered in the takeover bid;
- the circumstance under which the bidder may withdraw his bid;
- the deadline for acceptance of the bid; and
- the information about the purpose of the takeover bid and the intended method of managing the company taken over by the bidder, especially in respect of the employment policy, restructuring of the company, modifications of the company's status and profit distribution.

(3) When the subjects of takeover bid are substitutional securities, the takeover prospectus shall also include:

- the information about the issuer of substitutional securities;
- the last market price of substitutional securities prior to the publication of the takeover prospectus and their book value;
- rights and obligations conferred in the substitutional securities;
- information from the prospectus for listing on the stock exchange; and
- if the offered substitutional securities have not yet been issued, an indication of the procedure for issue of new securities.

(4) The Commission may determine a more detailed content of the takeover prospectus.

Article 20

(1) If the information contained in the takeover prospectus is false or misleading, the persons who have published the prospectus or taken part in its elaboration shall assume joint liability for the caused damage towards the holders of securities which are subject of the takeover bid if they knew or should have known that the information was untrue or misleading.

(2) The persons as of paragraph 1 of this Article shall also be liable for the damage if the takeover prospectus fails to list the essential information that might influence the shareholders' decision concerning the acceptance of the takeover bid.

(3) The persons as of paragraph 1 of this Article shall be relieved of their responsibility if they can prove that the holder of shares which are subject of the takeover bid had been familiar with the falseness of incompleteness of the information contained in the takeover prospectus.

Article 21

The Commission shall not assume any responsibility for the truthfulness or completeness of the information contained in the takeover prospectus.

Article 22

(1) If the bidder modifies his bid by offering a higher price or a more favourable conversion ratio, such modification shall be published not later than seven business days prior to the expiration of the term for accepting the bid and shall, prior to publishing the modification of the takeover bid, notify the Commission and the Central Securities Depository about it.

(2) The bidder who has modified his takeover bid, shall place an additional deposit in the amount of the difference between the new and the old price in accordance with Article 29 hereof, within the time limit stipulated in paragraph 1 of this Article.

(3) If the bidder modifies his takeover bid, the persons or entities that have already accepted his previous bid shall be entitled to withdraw from the agreement and accept the new, modified takeover bid.

(4) With the exception of the modification from paragraph 1 of this Article, the bidder shall not make any changes in his takeover bid or in the conditions thereof.

Article 23

(1) The takeover bid shall be subject to the Commission's approval.

(2) The Commission shall grant its approval for the takeover bid after it has established that:

- the takeover prospectus has been made in compliance with the provisions of paragraphs 2 and 3 of Article 19 hereof;
- the bid has been made in accordance with this law;
- the bidder has deposited money or obtained a bank guarantee in compliance with Article 29 hereof;
- the bidder, when his bid includes substitutional securities from Article 10, paragraph 1, item 1 hereof, has reserved the substitutional securities in the manner laid down by Article 30 hereof;
- the substitutional securities meet the terms and conditions determined by this law; and
- the bidder has entered into an agreement with the Central Securities Depository according to Article 28, paragraph 1 hereof.

(3) The Commission shall charge fees for submitting application for approval, for granting approval and other activities related to the procedure that is occurring in front of the Securities and Exchange Commission.

(4) If another law stipulates that the takeover bid is subject to a permission, approval or consent of another competent authority, the application for approval from paragraph 2 of this Article shall be accompanied by a certificate evidencing that the

application for the permission, approval or consent has been filed with the other competent authority.

(5) The Commission shall notify the other competent authority mentioned in paragraph 1 of this Article of its granting of the approval.

(6) The documents to be enclosed with the application for the approval of the takeover bid shall be determined by the Commission.

(7) The Commission shall decide upon the application for approval of the takeover bid within 10 business days following the receipt of the complete application, or within not more than 25 business days, should the subject of the application is in accordance with Article 10 hereof, or within that term the Commission may ask for additional documentation for the incomplete application.

(8) If the Commission does not decide upon the application for approval of the takeover bid within the term set in paragraph 6 of this Article, it shall be considered that the Commission has given an approval for the takeover bid.

(9) Against the decision of the Commission, an appeal may be filed to the Committee of the Government of the Republic of Macedonia within 15 days.

(10) The appeal from paragraph 8 hereof shall not withhold the enforcement of the Commission's decision.

Article 24

(1) The extract from the takeover prospectus and the takeover bid which has been granted the Commission's approval shall be published at the same time. The takeover bid shall be published on the stock exchange's web site as well.

(2) Simultaneously with its publication as per Article 1 hereof, the takeover prospectus shall also be sent to the managing body of the company-issuer of securities which are subject of the takeover bid, the Monopoly authority, the stock exchange and the Central Securities Depository. The managing body of the company-issuer of securities shall ensure that the company's entire staff is appropriately made familiar with the contents of the takeover prospectus, in accordance with the law.

(3) Simultaneously with its publication as per Article 1 hereof, the takeover prospectus shall also be sent to all licensed stock market participants having their registered office in the Republic of Macedonia, who shall provide an opportunity of free examination of the takeover prospectus to all interested parties.

(4) The Commission shall prescribe the contents of the extract of the takeover prospectus.

Article 25

(1) The managing body of the company-issuer of securities which are subject of the takeover bid shall publish its substantiated opinion concerning the takeover bid as well as the grounds for this opinion not later than 10 days after the publication of the extract of the takeover prospectus.

(2) The opinion from paragraph 1 hereof shall especially specify:

- the existence of any negotiations regarding the takeover bid between the bidder and the managing body of the company-issuer of securities which are subject to the takeover bid in respect of the bid;
- the existence of any negotiations regarding the takeover bid between the bidder and the managing body of the company-issuer of securities which are subject of the takeover bid concerning the method of exercising the voting rights conferred by securities which are already in the possession of the bidder;
- if the members of the managing body of the company-issuer, who are the holders of securities which are the subject of the takeover bid, intend to accept or reject the takeover bid and to submit their explanation; and
- substantiated information about the latest audited accounts of the company-issuer of securities which are subject to the takeover bid, by indicating the book value of securities which are subject of the takeover bid.

(3) If the information provided in the opinion of the managing body is untrue or misleading, the persons who have delivered this opinion or taken part in its elaboration shall be responsible for the caused damage to the holders of securities which are subject of the takeover bid if they were aware or should have been aware of the untruthful or misleading nature of such information.

Article 26

The managing body of the company-issuer of securities which are subject of the takeover bid shall notify all employees of the company in accordance with the law, immediately after the publication of the opinion from Article 25 hereof.

Article 27

(1) The time limit for acceptance of the takeover bid shall not be less than 30 days and not more than 60 days from the date of the first publication of the prospectus extract and the takeover bid.

(2) If during the takeover bid the bidder modifies the bid in accordance with Article 22 hereof, the time limit for acceptance of the bid shall be extended by seven days.

Article 28

(1) Prior to the publication of the takeover bid, the bidder shall conclude an agreement with an authorised representative of the Central Securities Depository on the provision of services relating to the takeover procedure.

(2) According to the agreement of Paragraph 1 hereof, the Central Securities Depository shall undertake to make all entries of bans on the free disposal of securities and entries of transfers of securities as well as all payments to be made in the takeover procedure.

(3) The Central Securities Depository shall determine the fee of the services provided according to paragraph 1 of this Article upon a previous approval of the Commission.

Article 29

(1) Prior to the publication of the takeover bid, the bidder shall deposit a sum of money necessary for the payment of all securities which are subject of the takeover bid to a separate account of the Central Securities Depository.

(2) In the event of a combined bid, the bidder shall, prior to the publication of the takeover bid, deposit with the Central Securities Depository a sum of money necessary for the payment of the part of the price to be paid out in cash.

(3) In the event of an alternative bid, the bidder shall, prior to the publication of the takeover bid, deposit with the Central Securities Depository a sum of money necessary for the payment of all securities which are subject of the takeover bid if all holders of securities opted for the payment of the purchase price in cash.

(4) Instead of making a cash deposit according to paragraphs 1, 2 and 3 of this Article, the bidder may provide the Central Securities Depository with a guarantee issued by a bank with registered office in the Republic of Macedonia or in a member country of the OECD, by which the bank irrevocably undertakes to pay, at the Central Securities Depository's first demand and without protest, the amount which is necessary for the fulfilment of obligations toward holders of securities which have accepted the takeover bid, into a separate account of the Central Securities Depository; the validity of the above-mentioned bank guarantee shall be at least 30 days after the expiration of the time fixed for payment by the takeover bid.

(5) The National Bank of the Republic of Macedonia shall determine the banks of the OECD member countries from paragraph 4 of this Article.

Article 30

(1) If the takeover bid includes substitutional securities mentioned in Article 10, paragraph 1, item 1 hereof, the bidder shall give an order to the Central Securities Depository for reserving those securities prior to the publication of the takeover bid, so that the bidder one may no longer freely dispose of such securities until the fulfilment of obligations towards the holders of securities which have accepted the takeover bid.

(2) The Central Securities Depository shall ensure that the bidder shall no longer be able to freely dispose of substitutional securities from the paragraph 1 of this Article.

(3) The Central Securities Depository shall, on the basis of paragraph 1 of this Article, enter the ban on the free disposal of the substitutional securities in the appropriate securities accounts.

Article 31

(1) The bidder shall not buy securities which are subject of the takeover bid directly or indirectly by himself or through a third party for his account from the date of the notification from Article 15 hereof to the expiration of the time limit for acceptance of the bid unless such purchase has been announced in the notification from Article 15 hereof and in the takeover prospectus, but may not acquire more than 45% of the voting shares.

(2) In the case of paragraph 1 of this Article, the bidder shall indicate in the prospectus the number of securities which are the subject of the takeover bid and which have been acquired by the bidder from the date of the notification from Article 15 hereof to the date of publication of the takeover prospectus.

(3) If the bidder himself or a third party for his account has acquired securities which are subject of this takeover bid from the date of the notification from Article 15 hereof to the expiration of the time limit for acceptance of the bid under conditions which are more favourable to the holders of securities than those quoted in the takeover bid and the takeover prospectus, the holders of securities which are subject of the takeover bid shall be entitled to accept the bid under such more favourable conditions.

(4) In the event of paragraph 3 of this Article, the takeover bid shall be deemed to have been modified, and the time limit for accepting the modified takeover bid shall be extended by seven days.

Article 32

(1) In the event of Article 31, paragraph 3 hereof, the Commission shall enact a decision establishing that the takeover bid has been modified and shall order the bidder to publish the modified takeover bid as well as the time limit for the acceptance of the modified takeover bid within five business days after receiving the decision; the bidder shall also be ordered to place an additional deposit equalling the difference between the new and the old price within the same time limit and in the manner specified by Article 29 hereof.

(2) From the date of receiving the decision of paragraph 1 of this Article to the date of publication of the modified takeover bid and placing of the additional deposit, the acceptance or cancellation of the acceptance of the takeover bid by the holders

of securities which are subject of the takeover bid shall be void. During this time, the expiration of the time limit for acceptance of the takeover bid shall be suspended.

(3) If the bidder fails to comply with the Commission's decision from paragraph 1 of this Article, the takeover bid procedure shall be invalidated by the Commission.

Article 33

- (1) Members of the managing body of the bidder and of the members of the managing body of the company-issuer of securities which are subject of the takeover bid shall, not later than 5 days after the beginning of the term for acceptance of the takeover bid, notify the Commission of all legal matters concerning any transactions with securities which are subject of the takeover bid, which were carried out during the six months period prior to the beginning of the term for the acceptance of the bid.
- (2) The obligation for notifying the Commission within the term set in paragraph 1 of this Article shall pertain to the couples and their children as well as to the legal entities in which the aforementioned persons or entities have a controlling interest.

IV. ACCEPTANCE OF THE TAKEOVER BID

Article 34

(1) Holders of securities which are subject of the takeover bid shall accept the takeover bid by means of a written statement.

(2) The written statement for accepting the bid shall be sent to the bank or the brokerage house stated in Article 14 hereof whereby the holders of securities shall reserve securities in a separate account with the Central Securities Depository so that they can no longer freely dispose thereof.

(3) The written statement of acceptance of the takeover bid from paragraph 2 shall include at least:

- the type and class of securities which are subject of the acceptance of the takeover bid;
- the number of securities which are subject of the acceptance of the takeover bid;
- the name and surname, i.e. the company name and registered office of the holder of securities which are subject of the acceptance of the takeover bid and the unique identity number of the holder;
- a statement of acceptance of the takeover bid by the holder;
- the bank account number of the holder where the payment shall be made based on the accepted takeover bid;
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- the personal signature of the holder of securities who is accepting the takeover bid.

(4) The acceptance of the takeover bid shall become effective as of the date of the deposit of securities in a separate account with the Central Securities Depository.

Article 35

The Central Securities Depository shall ensure that the holders of securities who have accepted the takeover bid shall no longer be able to freely dispose of such securities on the basis of the deposit of securities in the manner described in Article 34, paragraph 2 hereof.

V. RESTRICTIONS OF ACTIONS OF THE MANAGING BODY OF THE COMPANY - ISSUER OF SECURITIES

Article 36

(1) Upon receipt of the notification mentioned in Article 15 hereof and until the result of the bid is announced in accordance with Article 40 hereof, the managing body of the company-issuer of securities which are subject of the takeover bid shall not without the consent, i.e. decision of its shareholders in general meeting:

- increase its basic capital;
- enter into arrangements outside the company's regular operations;
- carry out transactions or enter into arrangements that might seriously jeopardize the company's future operations;
- acquire its own shares or securities resulting in the right to exchange or acquire its own shares; and
- perform activities whose sole purpose is to obstruct or make the procedure and acceptance of the takeover bid more difficult.

(2) Legal acts that are contrary to paragraph 1 of this Article shall be void.

(3) The validity of the decision of the General shareholders assembly from paragraph 1 of this Article requires at least a three-fourth majority of the votes that represent the basic capital of the company at the time the decision is enacted.

VI. WITHDRAWAL OF THE TAKEOVER BID

Article 37

From the publication of the takeover prospectus until the expiration of the deadline for acceptance of the takeover bid, the bidder may withdraw his bid, i.e. withdraw from the existing agreement which was made on the acceptance of such bid, if the possibility of withdrawal has been provided for by the takeover prospectus, when another person or entity submits a competitive bid in accordance with Chapter

VIII of this Law or if circumstances arise thereafter that make the bidder's fulfilment of his obligations difficult to such an extent that the purchase of securities no longer meets the bidder's expectations and that in the general opinion it would be unfair to maintain the agreement effective.

Article 38

The bidder's withdrawal of the takeover bid shall be published within one day. The withdrawal of the takeover bid shall become effective as of the date of its publication.

Article 39

The bidder shall notify the Commission and the Central Securities Depository about his withdrawal of the takeover bid.

VII. OUTCOME OF THE TAKEOVER BID

Article 40

(1) The bidder shall publish the number of shareholders that have accepted his bid, by indicating the number of issued securities which are subject of the takeover bid as well as by indicating if the bid was successful, not later than three business days after the expiration of the deadline for acceptance of the takeover bid.

(2) The information from paragraph 1 of this Article shall be submitted to the Commission, the Monopoly authority and the Central Securities Depository not later than three business days after the expiration of the deadline for acceptance of the takeover bid.

Article 41

(1) In the event of a takeover bid from Article 9 hereof, the Central Securities Depository shall calculate the total amount which is necessary for the payment of the difference in cash to the holders of securities that have accepted the bid but do not possess a sufficient number of securities in order to accept the entire offered price in substitutional securities. The Central Securities Depository shall notify the bidder of such necessary total amount not later than three business days after the receipt of the notification from Article 40 hereof.

(2) The bidder shall deposit the amount from paragraph 1 of this Article in a separate account with the Central Securities Depository within three business days after receipt of the notification from paragraph 1 of this Article.

(3) If the bidder fails to deposit the required amount in separate account with the Central Securities Depository within the time limit stipulated by paragraph 2 of this Article, it shall be considered that the takeover bid is not successful.

(4) The Central Securities Depository shall notify the Commission of the bidder's deposit made in accordance with paragraph 2 of this Article, i.e. of the release (the return) of the deposit the day following the date of deposit, i.e. on the date of the expiration of the deadline for making such deposit.

Article 42

(1) In the event from paragraph 5 of Article 11 hereof, the bidder shall, simultaneously with the notification from Article 40 hereof, also publish the date of the meeting of the relevant body of the bidder at which the said body shall decide upon the increase of the basic capital, i.e. on the issue of bonds if such body has not yet taken a decision on the increase of the basic capital, i.e. on the issue of bonds prior to the publication of the notification from Article 40 hereof.

(2) If the relevant body has already decided on the increase of the basic capital, i.e. on the issue of bonds prior to the publication of the notification from Article 40 hereof, the bidder shall, simultaneously with the notification from Article 40 hereof, also publish the decision about the appropriate increase of the basic capital, i.e. about the issue of bonds as well as the date of such decision.

Article 43

On the basis of the notification of Article 40 hereof, the Commission shall by a decision determine the successfulness or unsuccessfulness of the takeover bid, not later than three business days after receipt of the notification from Article 40, paragraph 2, i.e. within three days after receipt of the notification from Article 41, paragraph 4 of this Law.

Article 44

(1) If the takeover bid is successful, the Central Securities Depository shall discharge its liability to pay, i.e. deliver the substitutional securities from Article 10, paragraph 1, item 1 of this Law to holders of securities in accordance with the agreements made on the basis of their acceptance of the takeover bid within eight days after receipt of the decision from Article 43 hereof on behalf and for the account of the bidder.

(2) Notwithstanding the provision of paragraph 1 of this Article, the Central Securities Depository shall, in the event from Article 47 hereof, discharge its liability toward holders of securities that have accepted a subsequent bid on behalf and for the account of the bidder within eight days calculated from the date of the expiration of the deadline for acceptance of such subsequent bid.

Article 45

(1) If the takeover bid includes substitutional securities as of Article 10, paragraph 1, item 2 hereof and the takeover bid proves successful, the bidder shall notify the

Central Securities Depository of such decision within three days from the announcing the relevant body's decision to increase the basic capital, i.e. to issue bonds.

(2) The Central Securities Depository shall enter the securities which are subject of the takeover bid to the bidder's account and substitutional securities to the accounts of the persons that have accepted the takeover bid within eight days after the issue of such substitutional securities.

Article 46

After the Central Securities Depository has discharged the liabilities on behalf and for the account of the bidder according to Articles 44 and 45 of this Law in full, the Central Securities Depository shall transfer the securities from the accounts of the holders of securities that have accepted the takeover bid to the bidder's securities account.

Article 47

(1) If the bidder's alternative bid includes substitutional securities as of Article 10, paragraph 1, item 2 hereof, and the condition for breaking the liabilities as of Article 11, paragraph 5 have been met, the bidder shall offer payment in cash to all holders of securities that would be entitled to receive such substitutional securities on the basis of the takeover bid in the event of non-realization of the cancellation clause (hereinafter: subsequent bid).

(2) The bidder's subsequent bid shall be sent to all holders of securities from paragraph 1 of this Article by registered mail within eight business days after the expiration of the time limit from Article 11, paragraph 5 hereof.

(3) The holders of securities from paragraph 1 of this Article may accept the subsequent bid within eight business days after the receipt of such subsequent bid. The subsequent bid shall reasonably be governed by the provisions of Article 34 hereof.

Article 48

Restrictions of free disposal with securities which have been reserved with the Central Securities Depository in relation to the takeover bid shall be lifted if:

- the takeover bid was unsuccessful;
- the takeover bid was withdrawn;
- the condition for carrying into effect of the cancellation clause from Article 11, paragraph 4 of this Law was met, and
- in case of an alternative or combined bid, the condition for the cancellation clause from Article 11, paragraph 5 of this Law was met.

Article 49

For a period of 12 months after the decision of the Commission mentioned in Article 43 hereof, the bidder shall not make another takeover bid nor shall he buy securities which were subject of the takeover bid, if these securities, together with

other securities which are already in his possession, provide him with more than 25% voting right in cases if:

- the takeover bid was unsuccessful;
- the takeover bid was withdrawn;
- the condition for carrying into effect of the cancellation clause from Article 11, paragraph 4 of this Law was met, and
- in case of an alternative or combined bid, the condition for the cancellation clause from Article 11, paragraph 5 of this Law was met.

Article 50

(1) The Commission shall submit the declaratory decision about the successfulness of the takeover bid, i.e. the decision about the withdrawal of the takeover bid procedure to the bidder, the issuer of securities which are the subject of the takeover bid, the Central Securities Depository and the Stock Exchange.

(2) The bidder shall publish the decision received from the Commission in accordance with paragraph 1 of this Article in the same manner as the takeover bid.

VIII. COMPETITIVE TAKEOVER BID

Article 51

(1) After the publication of the takeover prospectus, and not later than ten days prior to the expiration of the deadline for the acceptance of the bid for the takeover of specific securities, the bid for takeover of those securities may also be submitted by another person or entity (hereinafter: competitive bid).

(2) Provisions of other chapters of this Law shall reasonably apply to the competitive takeover bid, unless stipulated otherwise in this chapter.

Article 52

- (1) A competitive takeover bid may be submitted only by a person or entity which:
- is not affiliated in terms of capital or management with the person or entity that made the previous takeover bid; and
 - is not a bank or a brokerage house making the bid on behalf and for the account of the bidder.

(2) In the event of a competitive takeover bid, the deadline for acceptance of the initial takeover bid shall be extended until the expiration of the deadline for acceptance of the competitive takeover bid unless the initial takeover bid has been withdrawn by the bidder.

(3) In the event of a competitive takeover bid, the persons that have already accepted the initial takeover bid shall be entitled to withdraw from the written statement and accept the competitive takeover bid.

(4) If the initial takeover bid specifies the minimum number, i.e. percentage of holders of securities which are subject of the takeover bid that have to accept the bid in order to make it successful, the competitive takeover bid shall not specify a number of percentage which is lower than that of the initial takeover bid.

(5) If the competitive takeover bid is made when the number or percentage of the initial bid mentioned in paragraph 4 of this Article has already been exceeded, such competitive takeover bid shall not include the condition set out in paragraph 4 of this Article.

Article 53

The Commission may refuse to grant an approval for a competitive takeover bid if it finds out that it is obviously a matter of a takeover bid whose sole purpose is to change the price of the securities which are subject of the initial takeover bid.

IX. INTERDICTORY AND PENAL PROVISIONS

Article 54

The authorized participant on the exchange shall refuse an order for the purchase or sale of securities if he is aware or should be aware that the execution of such order would mean a violation of this Law.

Article 55

(1) Shares acquired by a legal transaction which is contrary to this Law shall give the acquirer no right to vote and control the company, and they lose the right to a dividend.

(2) In exercising the voting rights deriving from shares which are already in his possession, the percentage of voting rights of the buyer of shares from paragraph 1 of this Article, deriving from all shares issued by the joint-stock company concerned, shall be reduced in proportion to the number of shares acquired through a legal transaction which is contrary to this Law, so that in exercising the voting rights he shall have the same percentage of such rights as he had enjoyed prior to the acquisition of shares contrary to this Law.

X. SUPERVISION OF THE TAKEOVER BID PROCEDURE

Article 56

- (1) The Commission shall supervise the takeover bid procedure.
- (2) The Commission shall take decisions relative to the supervision of the implementation of the takeover bid, according to the procedure determined by the Commission.
- (3) The Commission shall decide in the event of takeover bid modification (Article 32), remedy of irregularities in the execution of the takeover bid (Article 57, paragraph 1) the consent on withdrawal from the takeover bid as well as the successfulness of the takeover bid.

Article 57

- (1) If during the supervision mentioned in Article 56 the Commission finds any irregularities in the takeover bid procedure that may be remedied, it shall issue an order to the bidder, the bank or the brokerage house or the company-issuer of securities to correct such irregularities.
- (2) In its order from paragraph 1 of this Article, the Commission shall fix a term for the correction of irregularities, which shall not be longer than five days.
- (3) The persons or entities from paragraph 1 of this Article shall send the Commission a report within five days from the receipt of the decision of paragraph 2 of this Article, describing all measures taken for the correction of irregularities and enclose all documents and pieces of evidence demonstrating that the established irregularities have been remedied.
- (4) In the period of time between the service of the Commission's order from paragraph 1 of this Article and the expiration of the term stipulated in paragraph 2 of this Article, acceptance or withdrawal of the acceptance of the takeover bid by holders of securities which are subject of the takeover bid shall be void. In this period, the term for the acceptance of the bid shall be suspended.
- (5) If the bidder fails to comply with the order from paragraph 1 of this Article or in the event of irregularities that cannot be remedied, the Commission may issue an order nullifying the takeover bid procedure.
- (6) An appeal may be lodged against the decision of paragraph 5 of this Article to the Committee of the Government of the Republic of Macedonia. The appeal shall not stay the execution of the Commission's decision.

XI. NOTIFICATION TO THE COMMISSION

Article 58

During the takeover bid and within the time limit for acceptance of the takeover bid set out in Article 27 hereof, the authorised participants on the exchange and the Central Securities Depository shall communicate to the Commission at its request all available information which is necessary for the supervision of the takeover bid procedure and compliance with the reporting obligation from Articles 59 and 64 hereof.

Article 59

(1) From the date of notification mentioned in Article 15 hereof to the expiration of the term for acceptance of the takeover bid, the bidder shall regularly notify the Commission of any acquisition of voting securities or securities granting the right of conversion or acquisition of securities ensuring the voting right of the issuer of securities which are subject of the takeover bid, as well as of the price at which he has acquired such securities, unless the securities have been acquired by the bidder on the basis of a takeover bid.

(2) Persons or entities which on the date of the publication of the takeover bid according to Article 24 hereof, hold more than 10% of voting securities or securities that give the right of conversion or acquisition of securities that ensure the voting right to the issuer of securities which are subject of the takeover bid, which later acquire such share of securities, shall notify thereof the Commission within three days after the publication, i.e. after the acquisition of such securities and shall regularly notify the Commission of any subsequent acquisition of such securities and the price at which such securities have been acquired.

XII. TAKEOVER THROUGH A JOINT PROXY

Article 60

(1) If several persons or entities act jointly in the exercise of their voting rights derived from the ownership of shares of a particular joint stock company-issuer on the basis of a shareholders' agreement or otherwise and if any one of them acquires the joint stock company's securities granting it the right to vote so that, together with other securities already in the possession of such persons or entities, these securities grant them 25% of the voting rights, a takeover bid shall be submitted by each person or entity, unless they agree that the takeover bid shall be made by one of them only (hereinafter: joint proxy).

(2) The exercise of voting right on the basis of gathered proxies, if such proxies have been gathered in accordance with the provisions of Article 61 hereof and the contents of such proxies complies with the provisions set out in Article 62 hereof, shall not be construed as the joint action from paragraph 1 of this Article.

Article 61

(1) The person or several persons intending to exercise their right to vote at the company's general shareholders assembly on the basis of organized gathering of proxies shall notify the Commission of such intention, the reasons for it and the method of gathering of proxies. The notification shall be accompanied by a draft proxy statement.

(2) An organized gathering of proxies shall be considered any gathering of proxies which is designed for at least 25 holders of voting shares of the joint stock company.

Article 62

(1) The proxy given to the person from paragraph 1 of Article 61 hereof shall be valid for only one joint stock company's general assembly. It shall include clear instructions regarding voting on draft resolutions, the proxy's proposal for the vote on individual draft resolutions, an invitation to shareholders to give him their instructions for the exercise of the voting right, warning them that, unless given different instructions by the shareholders, he shall exercise his voting right in accordance with his own proposals which shall be clarified in the proxy statement, and that the proxy may be revoked by the shareholders at any time.

(2) The Commission may lay down a draft proxy statement for the vote on individual matters at the joint stock company's general assembly.

Article 63

Proxies gathered in opposition to the provision of Article 61 hereof, i.e. proxies of which the contents are in opposition to Article 62 shall be void.

XIII. NOTIFICATION LIABILITY

Article 64

(1) When an individual directly or indirectly acquires 5% of all issuer's voting securities and every consecutive 5% of securities (hereinafter: qualified shareholding), he shall immediately notify the issuer of such securities and the Commission about it.

(2) The issuer receiving the notification from paragraph 1 of this Article shall immediately publish such notification.

Article 65

If the person having in its possession a qualified shareholding fails to notify the issuer and the Commission in compliance with Article 64 hereof, it shall not be

entitled to vote, i.e. to participate in the management of the company-issuer of such shares on the basis of the ownership of shares in excess of the qualified shareholding.

Article 66

(1) The issuer of securities from Article 2 hereof shall immediately make a public announcement of all business events relating to such issuer or security which may have a major influence on the price of such security.

(2) The issuer of securities from Article 2 hereof shall notify the business events from paragraph 1 of this Article to the Commission.

(3) The Commission shall lay down a more detailed contents, method and time limits for the publication of the notifications from paragraphs 1 and 2 of this Article.

XIV. PENAL PROVISIONS

Article 67

The person or legal entity that in the event of a takeover in its takeover prospectus state or induce untrue information, or submit a competitive takeover bid without having the right to do so and by that induces one or more persons to buy or sell securities, shall be sentenced to a stay in prison for up to three years.

Article 68

The person or legal entity that in the event of a takeover of a joint stock company, as an authorised participant on the exchange, shall not refuse a request or other transaction with securities for which he knew or could have known that it will damage one or more of the participants in the takeover, shall be sentenced to a stay in prison for up to three years.

Article 69

(1) A penalty from 250,000.00 to 300,000.00 denars shall be imposed on a legal entity for a violation:

- in the event of failure to submit a takeover bid for the cases stipulated by this Law (Article 4, paragraphs 1 and 4 and Article 60, paragraph 1);
- if the price, i.e. the conversion rate in the takeover bid has been determined contrary to this Law (Article 7, paragraphs 3, 4 and 5);
- in the takeover bid it offers to pay the price contrary to this Law (Article 8, paragraphs 5 and 6);
- if it fails to offer payment of the difference in cash (Article 9);
- if the takeover bid does not contain elements determined by this Law (Article 11);
- if it fails to notify the Commission about its intent for takeover (Articles 16 and 17);

- in the event of failure to publish a takeover prospectus simultaneously with the takeover bid (Article 19);
- in the event of stating untrue information and data (Article 20);
- in the event of a failure to publish or notify the Commission about the modification of the bid (Article 22, paragraph 1);
- in the event of failure to deposit the additional amount based on the modified bid (Article 22, paragraph 2);
- for submitting a takeover bid without obtaining a prior approval of the Commission (Article 23, paragraph 1);
- in the event of failure to define the bid within the time limits stipulated by this Law (Article 27);
- in the event of failure to deposit funds with the Central Securities Depository, or failure to provide a bank guarantee prior to the publication of the takeover bid (Article 29);
- in the event of failure to issue an order for reserving substitutional securities (Article 30, paragraph 1);
- in the event it purchases securities which are subject to the takeover bid in opposition to this Law (Article 31, paragraph 1);
- in the event of failure to proceed in accordance with the Commission's decision (Article 32, paragraph 1);
- in the event of failure to publish the withdrawal of the bid within the determined time limit (Article 38);
- in the event of failure to notify the Commission about the withdrawal of the bid (Article 39);
- in the event of failure to proceed in accordance with the provisions of this Law with regard to the publishing (Article 40, paragraph 1);
- in the event of failure to submit the required information to the bodies determined by this Law (Article 40, paragraph 2);
- in the event of failure to proceed according the provisions of this Law with regard to the payment (Article 47, paragraph 1);
- in the event of giving a bid beyond the time limits stipulated by this Law (Article 49);
- in the event of giving a competitive bid contrary to the provisions of this Law (Article 52);
- in the event the authorized participant fails to proceed according the provisions of this Law (Article 54);
- in the event when the authorised participant fails to submit the required information upon the Commission's request in accordance with this Law (Article 58);
- in the event of failure to notify the Commission regarding the acquisition of securities in the events determined by this Law (Article 59, paragraph 1);
- in the event of failure to notify according to this Law about the acquisition of 5% of the amount of voting right securities and every consecutive acquisition of 5% (article 64, paragraph 1) and
- in the event of failure to publicly disclose or notify the Commission about the business events which may have a significant influence on the price of securities (article 66, paragraphs 1 and 2).

(2) A fine of 30,000.00 to 40,000.00 denars shall also be imposed on the legal entity's responsible officer for the violation from paragraph 1 of this Article.

(3) A fine of 40,000.00 to 50,000.00 denars shall also be imposed on the individual for the violation from paragraph 1 of this Article.

Article 70

(1) A penalty from 100,000.00 to 200,000.00 denars shall be imposed on a legal entity if:

- it fails to announce the meeting of the condition within the time limit determined by this Law (Article 12, paragraph 2);
- the takeover prospectus is not submitted (Article 24, paragraphs 1 and 3);
- the opinion related to the bid is not published (Article 25, paragraph 1);
- it does not inform its employees about the bid (Article 26);
- it fails to conclude an agreement for providing services in accordance with this Law (Article 28) and
- it fails to notify the body determined by this Law about the increase of the basic capital (Article 45, paragraph 1).

(2) A penalty from 30,000.00 to 40,000.00 denars shall also be imposed for the violation from paragraph 1 of this Article on the legal entity's responsible officer.

XV. TRANSITIONAL AND FINAL PROVISIONS

Article 71

The persons having acquired a shareholding providing them with more than 25% and less than 45% of the voting rights shall submit a takeover bid after having acquired additional 5% voting securities for the purpose of a further acquisition of such shares under the terms and conditions and in the manner set out in this Law.

Article 72 is deleted.

Article 73

This Act shall become effective eight days after its publication in the "Official Gazette of the Republic of Macedonia".