

## EXPLANATION OF PROPOSED AMENDMENTS AND MODIFICATIONS TO THE ARTICLES OF ASSOCIATION

Based on the amendments to the Companies Act, adopted in the previous year, new Corporate Governance Code for public limited companies and IFRS, the Management Board proposes the following amendments to the Articles of Association:

### 1.

The wording in paragraphs 1 and 2 of Article 5.1. is amended and reads as follows:

The Company forms legal reserves in the amount up to 30 (thirty) percent of share capital.

Apart from legal reserves, the Company has also formed statutory reserves in the amount up to EUR 30 million.

This amendment refers to the definition of legal reserves (without specific indication of capital reserves and general equity revaluation adjustment) and the amount of reserves. Instead of the existing 20%, legal reserves may represent up to 30% of share capital (because the value of share capital not including the general equity revaluation adjustment is taken into account) whereas statutory reserves are determined as an absolute amount of EUR 30 million which is, in value, equal to the previous definition, i.e. „20% capital share including the general equity revaluation adjustment“.

The wording in paragraph 4 of Article 5.1. is amended; after the words „statutory reserves“ the word „may“ is added with the rest of wording remaining unchanged.

### 2.

Paragraph 2 in Article 6.15. is deleted.

According to the previous wording, an extraordinary General Meeting should be convened due to the termination of the mandate of a Supervisory Board member for any reason. The Management Board proposes for this provision to be deleted, as the Supervisory Board acts normally in spite of absence of an individual Supervisory Board member.

### 3.

All three paragraphs of Article 6.16. are deleted and replaced with a new paragraph which reads as follows:

Supervisory Board members receive attendance fees and are reimbursed relevant expenses as determined by a General Meeting resolution. Supervisory Board members may receive additional

payment for performing their tasks, which may be determined by a General Meeting resolution. Such payment should be in appropriate proportion to the tasks of Supervisory Board members and the Company's financial standing.

The Management Board thus proposes the way of remuneration of Supervisory Board members which will always be decided by the General Meeting. Considering the statutory changes, the Management Board proposes that the provision on the right of participation in the profit sharing should be deleted and that the provision on the right of employees on participation in profit sharing be moved into a new, independent Article with a new title.

**4.**

The Management Board proposes that the provision on announcing participation in the General Meeting, stated in paragraph 2 of Article 6.18., is amended in line with the relevant legislation. The end of day four before the General Meeting is the date determined as the due date for registering to the meeting.

**5.**

The Management Board proposes adjustment of Article 6.20. of the Articles of Association by supplementing paragraph 1 that will enable to the shareholders holding at least 5% of share capital of the Company a possibility to send, to the Management Board, a proposal for convening the General Meeting also by fax.

Apart from this, the Management Board proposes that the hall in the Hotel Šport in Otočec ob Krki should be determined as the ordinary place of the General Meeting.

**6.**

The Management Board proposes that Article 6.21. of the Articles of Association, defining the publication of the General Meeting convocation notice, should be supplemented so that the notice convening the meeting is also published in the Company's bulletin or via electronic media, and on SEOnet and Company's website.

Furthermore, the Management Board proposes that this Article should be supplemented with a new (second) paragraph on the basis of which relevant parties may propose the extension of the agenda or send a counter proposal also by fax. This shall also apply for the submission and revocation of Powers of Attorney.

**7.**

The Management Board proposes that paragraph 1 of Article 6.22. of the Articles of Association, defining the parties to be informed in writing by the Management Board about the General Meeting convocation, is amended to ensure unambiguity. It thus defines that the Management Board's obligation of sending information in writing should apply to shareholders each having more than 5% of the total share capital.

**8.**

The Management Board proposes that paragraph 2 of Article 7.1., defining the Management Board's obligation of informing the major shareholders in writing by registered post with a receipt confirmation

slip, should be deleted. According to the opinion of the Management Board the notification system via SEOnet is sufficient.

**9.**

The possibility of employee participation in profit sharing was anticipated also in the existing Articles of Association. For reasons of transparency, the Management Board proposes that this provision should be moved from the existing Article 6.16. to an independent Article 8 entitled Employee participation in profit sharing. The possibility of participation should be in line with the Employee Participation in Profit Act. Due to adding a new Article, previous Article 8 becomes Article 9.

**10.**

The Management Board proposes the amendment of paragraph 2 of Article 9.2. (previous Article 8.2.) so that the clean text of the Articles of Association shall come into force on the day of entry of the amendments adopted at the 15<sup>th</sup> Annual General Meeting.

Jože Colarič  
President of the Management Board and  
Chief Executive