

**ARTICLES OF ASSOCIATION
OF
SHIPYARD VIKTOR LENAC JSC
Rijeka**

Rijeka, September 2016

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RIJEKA**

I INTRODUCTORY PROVISIONS

Article 1

- (1) Viktor Lenac Shipyard was founded as a joint stock company and entered into the Register of the Commercial Court of Rijeka under the Company Registration Number 040000358.
- (2) Company ID Number is 27531244647.
- (3) Company Register Number 03333710.

Article 2

- (1) The Articles of Association shall define:
 - Company Name;
 - Headquarters;
 - Scope of Business;
 - Internal Organization of Company;
 - Duration and Closure of Company;
 - Corporate Disclosure;
 - Share Capital;
 - Company Shares;
 - Rights and Obligations of a Shareholder;
 - Corporate Bodies;
 - Increase of Share Capital;
 - Audit;
 - Business Ledgers and Reports;
 - Profit and Dividend;
 - Confidentiality;
 - Transitional and Closing Provisions.

II COMPANY NAME

Article 3

- (1) The Company has been established and shall operate under the name *BRODOGRADILIŠTE VIKTOR LENAC dioničko društvo*.
- (2) The abbreviated name of the Company shall be *BRODOGRADILIŠTE VIKTOR LENAC d.d.*
- (3) The name of the Company translated into the English language shall be SHIPYARD VIKTOR LENAC JSC.

III HEADQUARTERS

Article 4

- (1) The headquarters of the Company shall be in Rijeka at Martinšćica bb.
- (2) Decision on changing the headquarters of the Company shall be made by the Company General Assembly.
- (3) Decision on changing the headquarters address of the Company shall be made by the Company Management Board with the consent of the Supervisory board.

IV SCOPE OF BUSINESS

Article 5

- (1) The Company has been registered to do the following activities:
 - * Building and repair of vessels and boats;
 - * Production of civil construction joinery and elements;
 - * Production of wooden packing;
 - * Production of other wooden products;
 - * Production of plastic products;
 - * Production of metal constructions;
 - * Production of tanks, reservoirs and similar metal vessels;
 - * Treatment and coating of metal;
 - * General mechanical works;
 - * Transport of goods (cargo) by roads;
 - * Loading/unloading of cargo in ports;
 - * Stocking of goods;
 - * Services in maritime traffic;
 - * Other traffic agencies activities;
 - * Accounting;
 - * Renting of automobiles;
 - * Renting of vessels;
 - * Renting of office machines and equipment, including computers;
 - * Renting of other machines and equipment;
 - * Production of machinery and industrial plant drawings;
 - * Engineering, project management and technical activities;
 - * Development and execution of projects in construction, electrical engineering, electronics, mining, chemistry, mechanics and industry;
 - * Development of investment and technology documentation, and technical supervision;
 - * Technical testing and analysis;
 - * Safekeeping of vessels;
 - * Maintenance and repairs of:
 - engines and turbines, except engines for airplanes and motor vehicles
 - pumps and compressors
 - taps and valves

- bearings, transmission gear, transmission and propulsion elements
- lifting and transporting devices
- electric motors, generators and transformers
- equipment for distribution and control of electric power
- electric equipment for motors and vehicles
- * Stone excavation;
- * Extraction of gravel and sand;
- * Production of concrete, plaster (gypsum) and artificial stone products;
- * Manufacturing of lifting and transport equipment;
- * Renting of machinery and equipment for building or demolition including operator;
- * Maritime and coastal transport;
- * Acceptance and transport of solid waste and grey waters from vessel afloat and liquid/solid waste that caused marine pollution;
- * Consulting and supporting companies in terms of planning, organization, efficiency and control, management information etc.;
- * Design, building, usage and removal of buildings, reconstruction, maintenance and supervision of buildings;
- * Installation and final works in construction;
- * Purchase and sales of goods, trading business in domestic and foreign markets;
- * Traffic and usage of hazardous chemicals;
- * Export and import of military goods and non-military explosive materials;
- * Services relating to military goods;
- * Repairs of arms and military equipment;
- * Installation, connection, renewal, repairs, remodelling, inspection and maintenance of electrical and non-electrical devices associated with Ex products;
- * Project management and consultancy in spaces exposed to hazards of explosive atmospheres;
- * Waste management;
- * Other waste treatment activities;
- * Consultancy in business and management;
- * Repairs and renewal of equipment and machinery, painting, cleaning of ships;
- * Towing and pushing of vessel and other maritime navigation maneuvers;
- * Shipping agency activities;
- * Repairs and maintenance of industrial equipment;
- * Welding, steel carpentry, lathe machining and installation works;
- * Organization, acceptance, temporary storage and treatment of accumulated ship waste;
- * Organization and carrying out of bunkering for the ships in the Shipyard's port;
- * Organization of hazardous matters handling in the Shipyard's port;
- * Building, repairs and maintenance of offshore vessels;
- * Conversion of ships;
- * Training for fire protection and occupational health and safety

- (2) The Company may, without registering in the court register, to a lesser extent or occasionally, engage in other activities which are supplementary to the activities registered in the court registrar and which are commonly carried out along with such activities.
- (3) The Company may, based on a decision adopted by the Management Board, previously approved by the Supervisory Board, establish or acquire new companies, branch offices, sales outlets and representative offices at home and abroad.

V INTERNAL ORGANIZATION OF COMPANY

Article 6

- (1) Internal organization of the Company, organization of work processes and activities, duties and tasks, and other organizational issues shall be defined by the Regulation on principles for internal organization and systematization of work positions.

VI DURATION AND CLOSURE OF COMPANY

Article 7

- (1) The Company has been established for an unlimited period of time.
- (2) The Company may be dissolved as stipulated by these Articles of Association and law.

VII CORPORATE DISCLOSURE

Article 8

- (1) Corporate information and communiques shall be published according to current legislation.

VIII SHARE CAPITAL

Article 9

- (1) The share capital of the Company amounts to HRK 168,132,470.00 (onehundred sixtyeightmilliononehundredthirtytwothousandfourhundredseventy HRK).
- (2) The share capital of the Company was raised by paying up issued shares in cash or in goods or rights.

IX COMPANY SHARES

Article 10

- (1) The share capital of the Company is divided into 16,813,247 B-ordinary registered shares, each having a nominal amount of HRK 10.00.
- (2) Registered shares shall be issued in an intangible form in accordance with securities laws.

X RIGHTS AND OBLIGATIONS OF A SHAREHOLDER

Article 11

- (1) Each voting share shall entitle the shareholder to vote at the Company General Assembly, share the Company profits, be kept informed on the Company business to the extent necessary to consider matters on the agenda of the General Assembly and other rights as stipulated by these Articles of Association and law.
- (2) Fair and equal treatment of all shareholders is a fundamental right of shareholders.

Article 12

- (1) Rights and obligations of a shareholder towards the Company and other shareholders under forms of shares in accordance with these Articles of Association and laws shall only be recognized to shareholder who has acquired the share legally and whose shares have been deposited at the Central Depository & Clearing Company Inc.

Article 13

- (1) Shareholder voting rights equate to one vote per share owned unless the decision to issue shares or the law provides otherwise.

XI CORPORATE BODIES

Article 14

- (1) Corporate bodies shall be the Management Board, the Supervisory Board, and the General Assembly.
- (2) All members of the Company's bodies shall exercise their rights and obligations in the best interest of the Company.

MANAGEMENT BOARD

Article 15

- (1) The Management Board shall consist of up to three (3) Members.
- (2) The Management Board shall consist of the President and up to two (2) Members.
- (3) Management Board President or Member shall be appointed and revoked by the Supervisory Board. The term of office may last up to five (5) years and the same persons may be reappointed to the Management Board. The Supervisory Board may conduct an open competition procedure that shall precede the adoption of the Decision on appointment. In these cases, the Supervisory Board makes a special decision on the implementation of the competition procedure.
- (4) Only a person who has at least a university degree and who offers an appropriate business and development program of the Company may be appointed President or Member of the Management Board.
- (5) Supervisory Board may revoke its decision on appointing President or Member of the Management board when there is an important reason for it. An important reason is considered to be a severe breach of duty, inability to perform duties or a vote of no confidence at the General Assembly of the Company, unless it was done for obviously unfounded reasons. The revocation is valid until its invalidity is determined by a court decision. The revocation of a Member or the President of the Management Board does not affect the provisions of the employment contract concluded with the Company.
- (6) President, as appointed by the Supervisory Board, is the first person of the Management Board and the Company, and in that sense coordinates the entire business of the Company.
- (7) President chairs the meetings of the Management Board, coordinates the functions in the Company and submits Reports to the Supervisory Board and the General Assembly on behalf of the Management Board.
- (8) Company shall be represented by the President and Members of the Management Board independently and individually.
- (9) Management Board may authorize a Company employee or another person in writing to represent the Company.
- (10) More details on the management of the Company, the scope of work of the President and individual members of the Management Board and their responsibilities, signing, etc., are

regulated by the Rules of Procedure of the Management Board adopted by the Supervisory Board.

- (11) Supervisory Board of the Company concludes individual employment contracts with the President and Members of the Management Board, which shall regulate their rights and obligations.

Article 16

- (1) Management Board shall conduct the Company business at their own responsibility through distribution of work and collective management.
- (2) Members of the Management Board shall run the Company business with due diligence.
- (3) Management Board shall be independent and responsible in running business and free in its creation.
- (4) Management Board shall make decisions at its own discretion, and in the interest of the Company.
- (5) Management Board shall perform all activities of the Company if they do not fall within the scope of other bodies by law or the Articles of Association.
- (6) Business management of the Company means making decisions in order to realize the business vision, plans and work programs, activities arising from the common goal as well as acting within the Company and in its favor and to protect the Company's share in affiliated companies.
- (7) Management Board shall run the Company business in a way that ensures due performance of all activities and professional duties within the functions, up to the lowest forms of organization.
- (8) In accordance with the Rules of Procedure or a special decision, the Management Board of the Company may delegate some authorizations from its scope to the President of the Management Board or to any of the Members of the Management Board.

Article 17

- (1) Members of the Management Board shall collectively:
 - Establish Company business policy rules and undertake business initiative;
 - Propose to the General Assembly the development program of the Company and take measures for its implementation;
 - Adopt Company acts;
 - Convene General Assembly meetings;
 - Establish, plan and coordinate Company business functions;
 - Draw up Company annual financial statements;
 - Execute decisions made by the General Assembly and Supervisory Board;
 - Perform other tasks, if by law, the Articles of Association or the Rules of Procedure of the Management Board they are not within the scope of the President and other bodies of the Company.
- (2) Management Board decisions are made by majority of votes of the present members.
- (3) In the event of a tie, the President shall have the casting vote.
- (4) Management Board and its members must conscientiously and truthfully report to the Supervisory Board of the Company on the following issues:
 - Business policy and other principal issues in respect of the future business management at least once a year;
 - Business profitability, and especially the profitability of the use of equity, as part of the annual financial statements;
 - Course of business and the state of the Company, at least quarterly;

- Activities that could be of great importance for the profitability of operations, the profitability of the use of equity and for the solvency of the Company;
 - Issues related to the Company's operations whenever requested by the Supervisory Board;
 - Business results of associated companies over which the Company has a dominant influence or the return on capital invested in those companies, at least once a year.
- (5) Management Board or its members may undertake the following tasks only with the prior consent of the Supervisory Board:
- Alienation, acquiring or burdening of real estate;
 - Leasing or renting real estate of value exceeding 5% of the equity;
 - Building of new business facilities;
 - Alienation and acquiring of bonds and issuing bonds;
 - Issuing guarantees except when guaranteeing for a dependent company liability or related to normal operations;
 - Taking loans and credits of individual value exceeding EUR 500,000 other than normal operations;
 - Conclusion of other legal transactions whose value exceeds 15% of the value of the share capital or which are concluded for a period longer than 5 years and are not related to normal operations of the Company.
- (6) In the case of activities referred to in the previous paragraph, indents 1 and 3, in a value exceeding 25% of the Company's assets, the Management Board may undertake such activities only with the prior consent of the General Assembly.
- (7) The Management Board does not need further consent of the Supervisory Board to take legal action and enter into transactions that implement the decision with which the Supervisory Board agreed in accordance with the provisions of these Articles of Association.

SUPERVISORY BOARD

Article 18

- (1) The Company's Supervisory Board shall be composed of five (5) members of which four (four) are elected by the Company General Assembly.
- (2) Workers' representative in the Supervisory board shall be elected as provided by law and shall be employed in the Company.

Article 19

- (1) Members of the Supervisory Board may not, for their own account or for the account of a third party, perform activities that compete with the Company. A member of the Supervisory Board who, for his/her own account or for the account of a third party, has an interest in a certain business deal that could be contrary to the interest of the Company, shall inform other members of the Supervisory Board without delay and abstain from voting on this issue. In the event that he/she violates such an obligation, such a member of the Supervisory Board shall be liable for damage caused to the Company. This provision shall not apply to a member of the Supervisory Board appointed by a particular shareholder who has thus acted for the account and on behalf of a company owned by such shareholder or for the account and on behalf of a company controlled by such shareholder.

Article 20

- (1) The term of office of the members of the Supervisory board shall be for a maximum of four (4) years and they can be reelected.

Article 21

- (1) At the constituent meeting of the Supervisory Board elected at the General Assembly, the members of the Supervisory Board shall elect the President of the Supervisory Board and the Vice-President of the Supervisory Board by a majority vote.

Article 22

- (1) Official language of the Supervisory Board shall be the Croatian language.

Article 23

- (1) Supervisory Board of the Company shall be responsible to supervise the Company's business management and performance.
- (2) In particular, the Supervisory Board shall perform these tasks:
 - Appointing and revoking members of the Management Board;
 - Supervising the Company's business management and performance;
 - Convoking General Assembly meetings as required;
 - Submitting reports on supervision of the Company's business management and performance to the General Assembly;
 - Examining plans, programs of work, and Company's general acts, taking part in developing annual financial statements except for those in domain of the General Assembly;
 - Representing the Company towards the Management Board;
 - Approving decisions made by the Management Board when it is prescribed by law and these Articles of Association relating to:
 - Alienation, acquiring or burdening of real estate;
 - Leasing or renting real estate of value exceeding 5% of the equity;
 - Building of new business facilities;
 - Alienation and acquiring of bonds and issuing bonds;
 - Issuing guarantees except when guaranteeing for a dependent company liability or related to normal operations;
 - Taking loans and credits of individual value exceeding EUR 500,000 other than normal operations;
 - Conclusion of other legal transactions whose value exceeds 15% of the value of the share capital or which are concluded for a period longer than 5 years and are not related to normal operations of the Company.
 - Adopting the Rules of Procedure for the Supervisory Board, if it determines that it is purposeful;
 - Appointing and revoking members of its committees that shall be granted access to all information, classified information included;
 - Performing other tasks explicitly entrusted to it by law or these Articles of Association.

Article 24

- (1) Each Supervisory Board member can cast one (1) vote.
- (2) The Supervisory Board shall make its decisions, if a majority of all members are present, by a simple majority of votes of the members present.
- (3) The Supervisory Board shall make its decisions at the meetings of the Supervisory Board.
- (4) The Supervisory Board may make decisions without holding a meeting, by correspondence, if none of the members of the Supervisory Board requests a meeting.

- (5) The decision of the Supervisory Board shall be considered passed even if the absent member of the Supervisory Board voted for it and informed the Supervisory Board of his / her vote by submitting a credible statement.
- (6) The decision of the Supervisory Board adopted in the manner described in paragraphs 4 and 5 of this Article shall be made in writing, and must be confirmed at the next meeting of the Supervisory Board.

Article 25

- (1) General Assembly may, at any time, without stating reasons thereof, revoke any member of the Supervisory Board.

Article 26

- (1) Members of the Supervisory Board shall be entitled to remuneration for their work in the Supervisory Board, which remuneration shall be defined by the decision made by the General Assembly.

GENERAL ASSEMBLY OF THE COMPANY

Article 27

- (1) The General Assembly of the Company meets at least once a year (regular General Assembly).
- (2) The regular General Assembly is convened after the end of the business year, taking into account the deadlines provided by the regulations of the Republic of Croatia for the adoption of annual financial statements.
- (3) An extraordinary General Assembly is held whenever the interests of the Company so require.
- (4) The General Assembly may also be convened by shareholders, under the conditions provided by law.

Article 28

- (1) Shareholders who meet the legal requirements for registration may participate in the General Assembly of the Company.
- (2) The shareholder may be represented by a proxy on the basis of a written power of attorney issued by the shareholder, which the shareholder or proxy should submit to the Company together with the application for participation in the General Assembly.

Article 29

- (1) The General Meeting may make valid decisions if the shareholders or their proxies who together hold shares that give more than half of all votes in the General Meeting of the Company participate in its work.
- (2) If there is no quorum in terms of the provisions of paragraph 1 of this Article sixty (60) minutes after the expiration of the time specified in the invitation to start the General Assembly, the President of the General Assembly shall adjourn the meeting, and a new meeting with the same agenda shall be held on the day determined by the invitation by the person who convened the meeting of the General Assembly.
- (3) A new meeting of the General Assembly may be held no earlier than fifteen, and no later than thirty days from the day when the meeting at which there was no quorum was to be held. If there is no quorum at the new meeting in terms of the provision of paragraph 1 of this Article, decisions shall be made at that meeting by a majority of the votes represented at the meeting, regardless of the fact that no quorum has been reached.

Article 30

- (1) The General Assembly shall be presided by the General Assembly President. The General Assembly President is appointed by the Supervisory Board.

- (2) The General Assembly President may be appointed to the office without limitations as to the number of terms.
- (3) The General Assembly President shall:
 - chair the meetings of the General Assembly, determine the order of discussion on individual items on the agenda, decide on the order of voting on individual proposals and on the manner of voting on individual decisions;
 - sign the Minutes and Decisions of the General Assembly;
 - communicate with other Company's bodies and with third parties on behalf of the General Assembly, as provided for by law and these Articles.
 - communicates with other Company bodies and third parties on behalf of the General Assembly when provided by law and these Articles of Association.
- (4) The Supervisory Board may also appoint the Vice President of the General Assembly.
- (5) The Vice President of the General Assembly shall replace the President in the event of his/her justified absence. If the President of the General Assembly for any reason ceases to hold office before the expiration of his/her term, the Vice President of the General Assembly shall become President until the expiration of the term of the originally appointed President, and the General Assembly shall appoint a new Vice President.
- (6) The President and Vice President of the General Assembly are entitled to a remuneration for their work, which is determined by a decision of the Supervisory Board of the Company.

Article 31

- (1) The working language of the General Assembly is Croatian. Simultaneous translation into English shall be provided for representatives of foreign shareholders, and such a representative has the right to bring his/her own translator and advisor to the meeting. Minutes from the meeting shall be made in Croatian, and in case of participation in the General Assembly of foreign shareholders, in English.

Articles 32

- (1) Voting at the General Assembly shall be cast in an open voting.

Article 33

- (1) The decision of the General Assembly is considered passed if it is voted for by the members of the General Assembly who together have the majority of votes represented at it.
- (2) The following decisions are considered adopted if they are voted for by members of the General Assembly who together have at least seventy-five (75)% of the votes represented at the General Assembly:
 - Increasing and decreasing the share capital of the Company;
 - Issuance of new shares, type and classes of shares and their nominal values;
 - Status changes of the Company (merger or acquisition with other companies);
 - Dissolution or liquidation of the Company;
 - Adoption, changes and amendments of the Articles of Association;
 - Revocation of a member of the Supervisory Board before expiry of his/her term;
 - Other issues provided by the Articles of Association, law or a special decision of the General Assembly of the Company.

Article 34

- (1) Each shareholder shall bear the costs incurred due to his/her participation in the General Assembly meetings, and the costs of preparation and holding of the General Assembly meetings shall be borne by the Company.

XII INCREASE OF SHARE CAPITAL

Article 35

- (1) The share capital of the Company can be increased by issuing new shares, and by paying up issued shares in cash or in goods or rights. The share capital can be increased from the Company's assets by converting capital gains, reserves and retained earnings into share capital of the Company.

Article 36

- (2) The decision to increase the share capital is made by the General Assembly with votes representing more than 75% of the share capital represented at the General Assembly when making a decision.

XIII AUDIT

Article 37

- (1) Following the proposal made by the Supervisory Board, the General Assembly shall appoint an independent audit company to perform audit work.
- (2) The auditing firm shall report to the Supervisory Board.

XIV BUSINESS LEDGERS AND REPORTS

Article 38

- (1) The Management Board of the Company is obliged to ensure the keeping of business ledgers in accordance with the law.
- (2) The Company shall keep business records as prescribed by the law.
- (3) Based on the business ledgers, the Management Board of the Company draws up annual financial statements and reports on the Company's business performance.
- (4) These statements and reports shall be submitted to the Supervisory Board, before deadline for submission to relevant institutions, in order to obtain approval, along with the proposal for allocation of profit or coverage of loss. It is by obtaining the Supervisory Board's approval that annual financial statements are considered approved by the Management and Supervisory Board.
- (5) The annual financial statements, the Management Board's report on Company's business performance, the Supervisory Board's report and the Management Board's proposal for allocation of profit or coverage of loss, shall be disclosed within the deadlines prescribed by the laws and general acts of the Company.

XV PROFIT AND DIVIDEND

Article 39

- (1) Profit of the Company for each business year is determined as prescribed by law. The business year shall be considered a calendar year.
- (2) During the business year, the Management Board of the Company is authorized to pay an advance to the shareholders in the name of dividends from the foreseeable part of the net profit. Such payment requires the consent of the Supervisory Board.
- (3) The expenses of dividend payment shall be borne by the Company.

XVI CONFIDENTIALITY

Article 40

- (1) Business secret means documents and data related to the Company's operations or the work of employees whose disclosure to unauthorized persons would be contrary to the interests of the Company.
- (2) Business secret in particular means the following: research results, documents and data on activities in commercial operations and relations, relations with business partners and clients and the amount of salary of an individual employee.
- (3) Business secret shall also include documents and data declared as business secret by a competent body of the Company, those communicated to the Company as confidential by any body, bids and applications for tenders until the announcement of the tender results, and technical-technological documentation referring to technological knowledge and commercial issues.

Article 41

- (1) Shareholders of the Company, members of the Company's bodies and Company's employees who become aware of the content of documents or data that are considered a business secret of the Company, are obliged to keep the business secret of the Company. Any violation of this duty creates on the part of these persons liability for damage suffered by the Company due to the disclosure of business secrets.
- (2) The obligation to keep a business secret shall not discontinue even after the mentioned persons lose the status based on which they have been liable to keep business secret of the Company.
- (3) The Management Board may, by special by-laws, determine which data shall be considered business secret, procedures for protecting business secret and other issues relevant for protecting the secrecy of data of the Company.
- (4) Disclosure of business secret shall be deemed as a justified reason for regular termination of employment contract due to breach of employment obligations.

XVII TRANSITIONAL AND CLOSING PROVISIONS

Article 42

- (1) The Company's Articles of Association shall come into force on the day of their entry into the Court Register.
- (2) The provisions of Paragraph 1 of this Article shall apply to any and all subsequent changes and amendments of these Articles, unless provided otherwise.

Article 43

- (1) With the entry into force of the provisions of these Articles of Association, the fully consolidated text of the Articles of Association of 20 June 2013 is replaced.

Article 44

- (1) The original of the Articles of Association is considered to be the text of the Articles of Association that has been duly adopted by the General Assembly of the Company, all pages of which are initialed by the President of the General Assembly and signed.

Article 45

- (1) The Management Board of the Company is responsible for keeping the Articles of Association and obliged to provide the shareholder with an insight into the Articles of Association, or to provide him/her, at his/her expense, with a transcript or a copy of the Articles of Association.

Article 46

- (1) By signing the Articles of Association, the President of the General Assembly of the Company confirms that the Articles of Association were adopted in accordance with the prescribed procedure in the text signed by the President.