

# Continental Aktiengesellschaft

## Articles of Incorporation<sup>1</sup>

Status: October 29, 2010



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<sup>1</sup>These Articles of Incorporation are a translation of the German "Satzung". For construction and interpretation of these Articles of Incorporation the German "Satzung" shall be the controlling version.

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## **Section I**

### **General Provisions**

#### **Article 1**

(1) The name of the Company is Continental Aktiengesellschaft.

(2) The Company is registered in Hannover, Federal Republic of Germany. It is incorporated for an indefinite time period.

#### **Article 2**

(1) The objects of the Company are

a) to manufacture and sell tires and industrial products of all types made of natural or synthetic rubber, plastics or other raw materials as well as assembly parts, system components and complete systems for all kinds of vehicles,

b) to trade commercially in these types of products using the trademark "Continental" and other trademarks,

c) to manufacture or purchase raw materials which are required for the production of these goods.

The objects of the Company may be realized by the Company itself or by its subsidiaries or affiliates.

(2) The Company shall be entitled to transact all business and take all steps which appear suitable to directly or indirectly promote the object of the Company, in particular to acquire and dispose of real estate and to establish branches in any domestic or foreign location, to participate in other enterprises as well as to conclude contracts on the pooling of interests and/or intercompany agreements.

#### **Article 3**

(1) Company announcements are made in the electronic edition of The Federal Bulletin [Bundesanzeiger].

(2) Information may be distributed via long-distance data transfer to holders of registered Company securities.

## **Section II**

### **Capital Stock and Shares**

#### **Article 4**

(1) The capital stock of the company amounts to Euro 512.015.316,48. It is divided into 200.005.983 no-par-value shares.

(2) The Executive Board is authorized to increase, with the consent of the Supervisory Board, the Company's capital stock by up to Euro 66,000,000 by a single or multiple issue of up to 25,781,250 new no-par value bearer shares of the Company on or prior to April 22, 2014, against cash and/or in kind contributions (Authorized Capital 2009). The shareholders will generally be granted subscription rights. With the consent of the Supervisory Board, however, the Executive Board is authorized to exclude shareholders' subscription rights

a) to the extent it is required to exclude any fractional amounts from the shareholders' subscription rights,

b) to the extent it is required that holders of warrant or conversion rights or conversion obligations arising from convertible bonds or warrant-linked bonds be granted subscription rights to such number of new shares they would be entitled to as shareholders after exercising their warrant or conversion rights or fulfilling their conversion obligations, and

c) insofar as

aa) it concerns an increase of capital stock against cash contribution, and

bb) the entire proportionate amount of capital stock accounted for by new shares which are to be issued on the basis of this authorization exceeds neither the amount of Euro 43,265,000 nor 10% of the entire capital stock (maximum amount) issued at the time of initial exercise of this authorization, and

cc) the issue price of the new shares does not fall significantly short of the stock exchange price of the shares of the same class already quoted on the stock exchange at the time that the issue price is finally determined.

The maximum amount shall be reduced by the aggregate amount of capital stock accounted for by newly issued shares or previously acquired treasury shares which are issued or sold during the term of this authorization under subscription right exclusion pursuant or according to section 186, paragraph 3, clause 4 of the German Stock Corporation Act and by the aggregate amount of capital stock accounted for by shares which are to be issued upon the exercise of warrant or conversion rights or settlement of conversion obligation during the term of this

authorization under exclusion of subscription rights in application of section 186, paragraph 3, clause 4 of the German Stock Corporation Act,

d) insofar as the new shares are issued against contributions in kind in the context of the acquisition of a company or parts thereof or holdings in companies and the aggregate amount of capital stock accounted for by such new shares does not exceed 10% of the entire capital stock issued at the time this authorization takes effect.

The Executive Board is authorized to determine, with the consent of the Supervisory Board, further details of the capital increase and the terms and conditions of the share issue. The Supervisory Board is authorized to adjust Section 4 of the Articles of Incorporation after a capital stock increase has been implemented, in part or in whole, and after the authorization period has elapsed, such adjustment to reflect the respective utilization of authorized capital.

(3) The Executive Board is authorized to increase, with the consent of the Supervisory Board, the Company's capital stock by up to Euro 70.628.545,28 through a single or multiple issue of new shares of the Company prior to April 23rd, 2012, against cash contributions and/or contributions in kind (Authorized Capital 2007). The shareholders are to be granted subscription rights. With the consent of the Supervisory Board, however, the Executive Board is authorized to exclude shareholders' subscription rights

a) to the extent it is required to exclude any fractional amounts from the shareholders' subscription rights;

b) to the extent it is required that holders of warrant or conversion rights or obligations arising from convertible bonds or warrant-linked bonds be granted subscription rights to such number of new shares they would be entitled to as shareholders after exercising their warrant or conversion rights or fulfilling their conversion obligations;

c) insofar as

aa) it concerns an increase of capital stock against cash contribution, and

bb) the entire proportionate amount of capital stock accounted for by new shares which are to be issued by utilization of this authorization exceeds neither the amount of Euro 37,500,000 nor 10% of entire the capital stock ("maximum amount") issued at the time of initial exercise of this authorization to exclude subscription rights, and

cc) the issue price of the new shares does not fall significantly short of the stock exchange price of the shares of the same class already quoted on the stock exchange at the time that the issue price is finally determined.

The maximum amount shall be reduced by the proportionate amount of capital stock accounted for by newly issued shares or previously acquired own shares which have been issued or sold since April 25, 2008 under simplified subscription right exclusion pursuant or according to section 186, subsection 3, clause 4 of the German Stock Corporation Act as well as by the proportionate amount of capital stock accounted for by shares to which warrant and/or conversion rights or conversion obligations relate, which have been granted or issued since April 25, 2008 and where subscription rights have been excluded applying section 186, subsection 3, clause 4 of the German Stock Corporation Act;

d) insofar as the new shares are issued against contributions in kind in the context of the acquisition of a company or parts thereof or holdings in companies and the aggregate amount of capital stock accounted for by such new shares does not exceed 10% of the entire capital stock issued at the time this authorization takes effect.

The Executive Board is authorized to determine, with the consent of the Supervisory Board, further details of the capital increase and the terms and conditions of the share issue. The Supervisory Board is authorized to adapt the version of section 4 of the Articles of Association after the capital stock increase has been executed in part or in whole according to the respective utilization of authorized capital and after the authorization period has elapsed.

(4) The capital stock is conditionally increased by up to Euro 111,500,000.00. The conditional capital increase shall be effected only to the extent that the

a) holders of stock warrants or conversion rights related to warrant-linked bonds or convertible bonds to be issued by Continental Aktiengesellschaft or its direct or indirect majority-owned subsidiaries up to May 4th, 2011, make use of their warrant or conversion rights, or that the

b) holders obligated to convert convertible bonds to be issued by Continental Aktiengesellschaft or its direct or indirect majority-owned subsidiaries up to May 4th, 2011, fulfill their conversion obligation.

The new shares shall be entitled to dividends from the beginning of the fiscal year in which they are issued by virtue of the exercise of warrant or conversion rights or by fulfillment of conversion obligations. The Executive Board is authorized, with the consent of the Supervisory Board, to define further details of the increase in conditional capital and its implementation.

The Supervisory Board is authorized to adapt section 4 of the articles to conform to the respective implementation of the capital increase, as well as upon the expiry of the authorization or the expiry of the period that has been specified for

the exercise of warrant or conversion rights or fulfillment of conversion obligations.

(5) The capital stock of the Company is conditionally increased by up to Euro 3,800,000.00. The capital increase will be carried out only insofar as holders of subscription rights granted within the framework of the 2004 Stock Option Plan authorized by the Annual Shareholders' Meeting on May 14, 2004, exercise their subscription rights and these rights are not honored by transfer of Company shares held by the Company. The new shares shall be entitled to participate in dividends distributed for the fiscal year in which the new shares are issued by exercise of subscription rights.

(6) The capital stock is conditionally increased by up to Euro 37,500,000 by the issue of up to 14,648,437 new no-par value bearer shares (Conditional Capital II). The conditional capital increase serves the issue of no-par value bearer shares to the bearers and/or creditors of convertible and/or warrant-linked bonds, profit participation rights and/or income bonds (or a combination of these instruments), which are issued against cash payment by the Company or its direct or indirect affiliated subsidiaries due to the authorization resolved by the Annual Shareholders' Meeting of April 25, 2008 under agenda item 9 a) and which grant or establish a conversion and/or warrant right or a conversion obligation on new no-par value bearer shares of the Company. The conditional capital increase is only to be implemented to the extent warrant or conversion rights are exercised or bearers or creditors obligated to conversion fulfill their duty of conversion and only to the extent there is no use of own shares and no new shares are issued by utilizing authorized capital.

The new no-par value bearer shares shall be entitled to dividends from the beginning of the fiscal year in which they are issued by virtue of the exercise of option or conversion rights or by fulfillment of conversion obligations. The Executive Board is authorized to determine the additional details of the implementation of the conditional capital increase.

(7) The capital stock of the Company is conditionally increased by up to Euro 19,968,000. The capital increase will be carried out only insofar as holders of subscription rights granted within the framework of the 2008 stock option plan authorized by the Annual Shareholders' Meeting on April 25, 2008, exercise their subscription rights and these rights are not honored by transfer of own shares held by the Company. The new shares participate in profit from the beginning of the fiscal year in which they arise through exercise of subscription rights.

(8) Capital stock shall be conditionally increased by up to €43,500,000 by the issue of up to 16,992,187 new no-par value bearer shares (conditional capital III). The conditional capital increase serves the issue of no-par value bearer shares to the holders and/or creditors of convertible and/or warrant-linked bonds, profit participation rights and/or participating bonds (or a combination of these

instruments), which are issued by the Company or its direct or indirect subsidiary on the basis of the authorization resolved by the Annual Shareholders' Meeting of April 23, 2009, under agenda item 8 a) and which grant or establish a conversion and/or warrant right or a conversion obligation on new no-par value bearer shares of the Company. The conditional capital increase is only to be implemented to the extent warrant or conversion rights are exercised or holders or creditors obligated to conversion fulfill their duty of conversion and only to the extent there is no use of treasury shares and no new shares are issued by utilizing authorized capital. The new no-par value bearer shares shall be entitled to dividends from the beginning of the fiscal year in which they are issued by virtue of the exercise of warrant or conversion rights or by fulfillment of conversion obligations. The Executive Board is authorized to determine the additional details of the implementation of the conditional capital increase.

## **Article 5**

(1) The shares are made out to holder.

(2) The shareholders' claim to have their shares represented by a written instrument is excluded, unless a written instrument is required by rules that apply at a stock exchange at which the share is admitted for trading. Global certificates may be issued.

## **Section III**

### **Constitution**

#### **Article 6**

Organs of the Company are

1. The Executive Board
2. The Supervisory Board
3. The Shareholders' Meeting.

#### **1. The Executive Board**

##### **Article 7**

(1) The Executive Board of the Company shall consist of not less than two persons; the Supervisory Board may determine a larger number of members of the Executive Board. Deputy members of the Executive Board may be appointed. The Supervisory Board shall be entitled to nominate one member of the Executive Board to act as Chairman of the Executive Board.

(2) The Supervisory Board may empower a committee of the Supervisory Board to conclude, amend or terminate the Contracts of Appointment.

### **Article 8**

The Company shall be legally represented by two members of the Executive Board or by one member of the Executive Board jointly with a Prokurist (authorized signatory) of the Company.

### **Article 9**

The Executive Board shall conduct the affairs of the Company as required by statute laws, the Articles of Incorporation and its operating procedures.

## **2. The Supervisory Board**

### **Article 10**

(1) The Supervisory Board shall consist of twenty members. Ten members shall be elected by the Shareholders' Meeting and ten members shall be elected by the employees in accordance with the provisions of the German Codetermination Act [MitbestG]. Members shall be elected for a term of office not exceeding the close of the Shareholders' Meeting which decides on the ratification of acts of management for the fourth financial year following the beginning of the term of office, whereby the financial year in which the term of office begins is not taken into account.

(2) When electing the shareholders' representatives and their substitutes, if any, to the Supervisory Board, the chairman of the Shareholders' Meeting shall be entitled to call a vote on a list of candidates presented by the Administration or the shareholders. If substitute members for shareholders' representatives are elected from a list, they shall replace early retiring members in the order in which the substitutes appear on such list, unless stipulated otherwise at the election.

(3) If a member of the Supervisory Board is elected to replace a retiring member, the new member's term of office shall run for the remainder of the replaced member's term. If a substitute member replaces the retiring member, the substitute member's term of office shall expire at the close of the Shareholders' Meeting at which a new member is elected to replace the retired member, however not later than at the expiration of the retired member's term of office.

(4) Any retiring member or substitute member of the Supervisory Board shall be eligible for immediate re-election.

(5) Any member or substitute member of the Supervisory Board may resign from office subject to his giving four weeks' notice addressed to the Chairman of the Supervisory Board. The Chairman of the Supervisory Board shall forthwith pass such notice of resignation on to the Executive Board.

## **Article 11**

(1) Immediately after the Shareholders' Meeting at which the members of the Supervisory Board representing the shareholders have been elected, a meeting of the Supervisory Board shall take place, for which no special invitation is required. At this meeting the Supervisory Board shall elect from among its members and for the duration of its term of office the Chairman and the Vice Chairman of the Supervisory Board and determine the members who make up the committee in accordance with Section 27 Subsection 3 of the German Codetermination Act [MitbestG]. In the event of the Chairman or the Vice Chairman of the Supervisory Board retiring before completion of his term of office, the Supervisory Board shall forthwith call a new election.

(2) The Vice Chairman of the Supervisory Board shall have the legal and statutory rights and duties of the Chairman only if the latter is prevented from holding office. However, the Vice Chairman shall not be entitled to the casting vote granted to the Chairman in accordance with the provisions of the German Codetermination Act [MitbestG].

## **Article 12**

Meetings of the Supervisory Board shall be called by the Chairman or his Deputy whenever so required by law or circumstances and thereby announcing the items on the Agenda. Such notice of meeting may be given by letter, telex, telephone or cable.

## **Article 13**

(1) The Supervisory Board shall be deemed to constitute a quorum if not less than half its members participate in the voting on its resolutions. If a member of the Supervisory Board is unable to attend the meeting, he may, in accordance with Section 108 Subsection 3 Sentences 1 and 2 of the German Stock Corporation Act [AktG], authorize another member of the Supervisory Board to pass on his vote prepared by him in writing.

(2) If not all members of the Supervisory Board are present to participate in the adoption of its resolutions and if the absent members have not passed on written votes, as mentioned in subsection 1 above, then the adoption of resolutions shall be postponed on a motion by at least two members of the Supervisory Board

attending the meeting. In the event of such postponement, the adoption of resolutions shall take place anew during the next ordinary meeting, provided no special meeting of the Supervisory Board is called. A further minority request for postponement at the subsequent adoption of a resolution is not admissible.

(3) If the Chairman of the Supervisory Board attends the meeting or if another member of the Supervisory Board is present and in possession of the Chairman's written vote, Subsection 2 hereof shall not apply provided that an equal number of shareholders' and employees' representatives attend the meeting in person or participate in the adoption of resolutions by way of written vote, or provided that any imbalance is eliminated through individual members of the Supervisory Board failing to participate in the adoption of resolutions.

(4) Meetings of the Supervisory Board shall be presided over by the Chairman of the Supervisory Board or, in the event of his being unable to attend, his Deputy. The chairman of the meeting shall decide on the manner of voting.

(5) Resolutions of the Supervisory Board shall be taken by a majority of the votes cast, save as otherwise provided for by law. Where voting results in a tie, a further vote shall be carried out on a motion by the Chairman of the Supervisory Board or another member of the Supervisory Board, to the extent permitted by law. If this second voting also results in a tie, the Chairman of the Supervisory Board shall have the casting vote in accordance with Section 29 Subsection 2 of the German Codetermination Act [MitbestG]; Section 31 Subsection 4 of the German Codetermination Act [MitbestG] shall remain unaffected.

(6) If the chairman so stipulates, and provided no member of the Supervisory Board objects to such stipulation within a reasonable time period set by the chairman and not exceeding one week, resolutions can be adopted, without a meeting being called, by written, telex or telephone voting as well as by voting with the help of other means of telecommunication. The Subsections of these Articles governing oral voting shall apply accordingly. Section 110 of the German Stock Corporation Act [AktG] shall remain unaffected.

## **Article 14**

Notwithstanding any approval requirements provided by law or determined by a resolution of the Supervisory Board, the Executive Board requires the approval of the Supervisory Board

- a) to invest in other companies, if the amount in any individual case exceeds Euro 5,112,918.81,
- b) for the total amount of the investment budgets to be presented each year.

## **Article 15**

(1) The Supervisory Board may form committees from among its members. Section 27 Subsection 3 of the German Codetermination Act [MitbestG] shall remain unaffected. The functions and powers of such committees and the relevant procedures to be adopted shall be determined by the Supervisory Board. To the extent permitted by law a committee may be authorized to exercise the Supervisory Board's powers of decision. Subsections 5 and 6 of Article 13 hereof shall apply to the committees' adoption of resolutions, save as stipulated to the contrary in statutory provisions; Subsections 2 and 3 of Article 13 hereof shall not apply.

(2) Binding declarations on the part of the Supervisory Board and its committees shall be made in the name of the Supervisory Board by its Chairman or his Deputy.

(3) The Executive Board may, with the consent of the Supervisory Board, entrust to individual members of the Supervisory Board certain matters, or kinds of matters, which are not within the scope of the duties of the Supervisory Board as defined by law. The Executive Board may agree with such members that they receive a remuneration for such matters. Such remuneration shall be booked as expenses.

## **Article 16**

(1) In addition to reimbursement of their cash outlay and of turnover tax to which they are subject for their activity on the Supervisory Board, the members of the Supervisory Board shall each receive a fixed remuneration of Euro 40,000.00 per year, payable in the last month of a fiscal year.

(2) In addition, every member receives a variable remuneration per year of Euro 125 for every Eurocent by which the earnings per share exceed the amount of Euro 2.00. The calculation shall be based on the earnings per share reported in the consolidated financial statements for Continental group for the fiscal year the variable remuneration relates to. The variable remuneration is payable after conclusion of the Annual Shareholders' Meeting resolving on the ratification of the Supervisory Board's activities for the fiscal year for which the variable remuneration is paid.

(3) The Chair and the Deputy Chair of the Supervisory Board and those chairing or being members in a committee shall receive a higher remuneration. For the Chair and the Chair of a committee it shall amount to double, for the Deputy Chair and for the members of a committee to 1.5 times the remuneration determined according to paragraph 1 and paragraph 2. In the event a member of the Supervisory Board holds more than one function a higher remuneration is

provided for, the remuneration for such member shall be determined solely by such function held by said member for which the highest remuneration is provided.

(4) Each member shall receive Euro 350.00 per Supervisory Board meeting personally attended. This applies also to personal attendance at committee meetings not held on the same day as a meeting of the Supervisory Board.

(5) In the event that the term of office of a member of the Supervisory Board or the function for which higher compensation is paid begins or ends in the course of a fiscal year, the member of the Supervisory Board shall receive the compensation or higher compensation on a pro rata basis.

(6) At its expense, the Company can take out directors and officers liability insurance for the members of the Supervisory Board. The insurance shall contain an appropriate deductible.

### **3. The Shareholders' Meeting**

#### **Article 17**

(1) Notice of the Annual Shareholders' Meeting shall be given by the Supervisory Board or Executive Board at least 36 days prior to the meeting date. The day of the Annual Shareholders' Meeting and the day the notice is published shall not be counted. The notice of the meeting shall be published in the electronic version of the Bundesanzeiger (German Federal Gazette).

(2) The notice must include the Company name, its registered office and the time and date of the Annual Shareholders' Meeting. The agenda must also be included.

#### **Article 18**

(1) In order to participate in the Annual Shareholders' Meeting, exercise the voting right or make a motion, the shareholders must register with the Company prior to the Annual Shareholders' Meeting and prove their authorization to participate in the Annual Shareholders' Meeting and to exercise their voting rights. The registration and proof must be received by the Company or by an authorized agent at least six days before the Annual Shareholders' Meeting at the address listed in the notice. The day of the Annual Shareholders' Meeting and the day the notice is published shall not be counted.

(2) The evidence of entitlement under paragraph 1 must be provided in text format by a special proof of share ownership prepared in German or in English by

the custodian institution. The proof of share ownership must relate to the beginning of the twenty-first day before the Annual Shareholders' Meeting.

(3) Insofar as shares are involved that are not kept in a deposit maintained at a bank at the time indicated in paragraph 2, certification according to paragraph 2 can be provided by the Company, a notary public, a central deposit of securities or a bank within the European Union.

4) The voting right can be exercised by a proxy. If the shareholder grants proxy rights to more than one person, the Company may reject one or more of them. The issuance of proxy rights, their revocation and the proof of proxy rights to the Company must be provided in "Textform" (pursuant to Section 126b of the German Civil Code (BGB)).

(5) The Executive Board is authorized to provide that shareholders may participate in the Annual Shareholders' Meeting without being present or represented and may exercise some or all of their rights in whole or in part electronically (online participation). Independently thereof, the Executive Board may give the shareholders the opportunity to vote without participating in the meeting, in writing or electronically (absentee voting). More detailed provisions regarding an online participation and an absentee voting determined by the Executive Board will be announced in the notice of the Annual Shareholders' Meeting.

## **Article 19**

(1) The Chairman of the Supervisory Board, or another member of the Supervisory Board who is a shareholders' representative, shall preside over the Shareholders' Meeting. In the event that a member of the Supervisory Board does not take the chair, the chairman of the Meeting shall be elected by the Shareholders' Meeting.

(2) If this is announced in the invitation to the Annual Shareholders' Meeting, the chairman at the meeting can allow the complete or partial video and audile transmission of the Annual Shareholders' Meeting via electronic media in a manner to be determined in greater detail by said chairman. The transmission can also be effected in a manner affording the public unlimited access.

(3) The Chairman determines the sequence of the items on the agenda, as well as the type, format and sequence of voting procedures. He can appropriately limit in time the right of the shareholders to submit questions and to speak.

(4) The result of voting shall be obtained by adding the votes for and the votes against. It may also be obtained by deducting the votes for or the votes against

and the abstentions from the overall number of votes to which the voters are entitled. The chairman of the Meeting may also order a different procedure to be adopted and determine further particulars of voting.

## **Article 20**

(1) Each no-par-value share shall entitle the holder to one vote at the Shareholders' Meeting.

(2) Resolutions of the Shareholders' Meeting shall be adopted by such majority of the votes cast as provided by law and, insofar as a majority of the capital stock is required, by a simple majority of the capital stock represented unless otherwise required by mandatory law or by the Articles of Incorporation. Repeal or amendment of Article 20, Subsection 2, Sentence 1 as well of this Article 20, Subsection 2, Sentence 2 of the Articles of Incorporation shall require a majority of at least three quarters of the capital stock represented at the meeting voting on the resolution.

(3) The Supervisory Board may amend the Articles of Incorporation insofar as such amendments only relate to the wording.

## **Section IV**

### **Annual Financial Statement and Allocation of Profits**

#### **Article 21**

(1) The financial year is the calendar year.

(2) The Executive Board shall, within the first three months of each financial year, prepare the annual financial statement and the management report for the preceding financial year, and submit them to the auditor. As soon as they are prepared, the annual financial statements, the management report and the proposal for allocation net income, as well as the consolidated financial statements and the group management report are to be submitted to the Supervisory Board.

(3) The Supervisory Board has to pass its report to the Executive Board within a month of receipt of these submissions. In the event that this does not occur in the time allotted, the Executive Board must immediately set the Supervisory Board a deadline of one additional month at most. In the event that the Supervisory Board report is not passed on to the Executive Board by this deadline, the financial statements shall be deemed not approved by the Supervisory Board. The preceding sentence also applies to the consolidated financial statements.

(4) The annual financial statements, the management report, the report of the Supervisory Board and the proposal for the allocation of profits shall be exhibited at the Company's premises for inspection by the shareholders from the date when notice of the Shareholders' Meeting is given.

## **Article 22**

(1) The Annual Shareholders' Meeting takes place within the first eight months of a fiscal year.

(2) It resolves in particular on the use of the net income, on the election of the auditors, on the ratification of the actions of the Executive Board and the Supervisory Board, on the election of members of the Supervisory Board and, in the cases stipulated by the law, on the adoption of the financial statements and the approval of the consolidated financial statements. In resolving on the allocation of the net income, a distribution in kind can be resolved in addition to or instead of a distribution in cash.

## **Article 23**

(1) Net profit shall be distributed among the shareholders to the extent it is not carried forward or the Shareholders' Meeting does not decide any other use.

(2) In the event of new shares being issued, dividend entitlement may be determined differently to the extent permitted by law.