

LEGISLATIVE DECREE NO.(42) OF THE YEAR 1999 WITH RESPECT TO THE ESTABLISHMENT OF BAHRAIN PETROLEUM COMPANY

We, Hamad Bin Isa Al Khalifa, Amir of the State of Bahrain,

Having perused the Constitution,

And Amiri Order No.(4) of the Year 1975,

And the Commercial Companies Law promulgated by Legislative Decree No.28 of the Year 1975, as amended,

And Legislative Decree No.(9) of 1976 with respect to the Establishment of Bahrain National Oil Company, as amended by Legislative Decree No.3 of 1981,

And Legislative Decree No.(25) of the Year 1980 with respect to the Establishment of the Supreme Oil Council,

And Memorandum of Association of Bahrain Petroleum Company (Closed) dated 11th April, 1998,

And Resolution of the Supreme Oil Council No.1/99 issued on 16.2.1999 with respect to ratifying the Merger of Bahrain Petroleum Company B.J.S.C. (Closed) and Bahrain National oil Company into one company to be called Bahrain Petroleum Company B. J.S.C. (Closed),

And upon the submission of the Minister of Oil and Industry,

And having sought the Opinion of the Consultative Council,

And having obtained the approval of the Council of Ministers,

We hereby decree the following Law:

Article 1:

A Bahrain Joint Stock Company shall be established under the name of Bahrain Petroleum Company whose shares shall be nominal and fully owned by the Government according to the Articles of Association which is attached to this Law.

Article 2:

Bahrain National Oil Company established pursuant to Legislative Decree No.9 of 1976 as amended by Legislative Decree No.3 of 1981 and Bahrain Petroleum Company B.J.S.C. (Closed) established pursuant to the Memorandum of Association legalised with the Notary Public on 11th April, 1998; and the two Companies shall be dissolved and wound up according to the Articles of Association of each of them.

Article 3:

Legislative Decree No.9 of 1976 with respect to the Establishment of Bahrain National Oil Company shall be revoked as will every clause that conflicts with the provisions of this Law.

Article 4:

The Prime Minister and the Ministers, each in his respective capacity, shall implement the provisions of this Law, which shall come into effect from the date of its publication in the Official Gazette.

Signed: Hamad Bin Isa Al Khalifa,
Amir of the State of Bahrain.

Issued in Rifaa Palace on
21st Ramadhan, 1420 Hijra
Corresponding to 29th December, 1999 A.D.

COMPANY'S ARTICLES OF ASSOCIATION

Section One

COMPANY'S INCORPORATION AND OBJECTS

Article 1:

A Bahrain Joint Stock Company is incorporated pursuant to the provisions of this Law under the name of "Bahrain Petroleum Company B.J.S.C. (Closed)" whose shares shall be nominal and fully owned by the Government. The Company enjoys a juristic entity and has the necessary legal qualification for the realisation of its objects.

Article 2:

1. The objects of the Company shall be to engage in the oil industry inside and outside Bahrain. Such objects include working in any of the levels of this industry including exploration and prospecting for oil, natural gas and such other hydrocarbons materials, production, refining, purifying, manufacture, transport and storage of the aforesaid materials and any of their refined products, trading in such materials, their refined products and preparations, marketing, distributing, selling and exporting them.
2. The Company shall carry on all the different kinds of activities that are supplementary, relevant or complementary to such operations and industries with the aim of enhancing Bahrain's capabilities in benefitting from the petroleum wealth and investing its savings with a view to boosting its economic and financial capability.

Article 3:

The Company's head office and legal domicile shall be situated in Awali and the Board of Directors may set up branches, offices, agencies or facilities for the Company in the State of Bahrain or abroad.

Article 4:

Without prejudice to the provision of Article 16 of this Law, the Company may do the following for the realisation of its objects:

1. Setting up other companies solely or jointly with others and participating in existing companies.
2. Entering into agreements with companies or organisations carrying on business that is related to the objects of the Company to carry out such business activities for its own account.
3. All the legal acts required for the Company's proper performance of its business activities.

Article 5:

The Company's duration shall be indefinite.

Section Two Company's Capital

Article 6:

1. The Company's authorised capital shall be BD755,000,000 (Bahrain Dinars seven hundred fifty five million) divided into 755 shares of BD1,000,000 (Bahrain Dinars one million) each.
2. The Company's capital is fully owned by the Government. The Government shall pay a sum of BD320,000,000 (Bahrain Dinars three hundred twenty million) of the value of the capital upon incorporation. Resolutions of the Supreme Oil Council shall determine the sums that may be added to the paid up capital.
3. The Company's shares shall be nominal.

Article 7:

The Government may contribute to the capital by offering shares in kind evaluated in cash. The Government's contribution shall be determined by a resolution of the Supreme Oil Council.

The evaluation of such shares shall be undertaken by one committee or more to be formed by a resolution of the Supreme Oil Council. In carrying out its duties, the evaluation committee may seek the assistance of experts who are civil servants, companies' employees or others. Such shares shall be evaluated at their book value. Approval of the evaluation conducted by the Committee shall occur by a resolution of the Minister of Oil and Industry, provided that the remuneration of the Committee members and fees of experts shall be decided by an order of the Minister of Oil and Industry.

Article 8:

The Company shall receive the shares in kind contributed by the Government to the capital immediately upon the issue of the resolution of the Supreme Oil Council to make such contribution after the approval thereof by the Council of Minister without awaiting the decision of the Evaluation Committee.

Article 9:

The Company's liability shall be limited to the extent of its capital.

Article 10:

1. The Company shall be empowered to borrow funds from any organisation inside or outside Bahrain for financing its projects.
2. The Company shall be empowered to borrow funds by the issue of domestic bonds for the bearer guaranteed by the Ministry of Finance and National Economy. This shall be regulated by a resolution of the Supreme Oil Council.

Section Three
Company's Management

Article 11:

The management of the Company shall be undertaken by a Board of Directors whose formation shall take place by an Edict of the Prime Minister, Chairman of the Supreme Council of Oil. The Board of Directors shall have all the necessary powers and authorities to carry out the duties required by the objects of the Company according to the provisions of this Law, provided that the Company shall comply with the Government's general oil policy.

Article 12:

1. The Company's Board of Directors shall consist of a Chairman, Deputy Chairman and a number of members who shall not be less than five all of whom shall be appointed by an Edict of the Prime Minister, Chairman of the Supreme Oil Council. They shall remain in office for a three-year renewable term.
2. The remuneration of the Board Chairman and his Deputy and remuneration of members of the Board shall be determined by a resolution of the Supreme Oil Council.

Article 13:

1. The Company's Board of Directors shall convene its meetings upon the summons of the Board Chairman or his Deputy in the absence of the Chairman, whenever the need arises, provided that the number of Board meetings shall generally be no less than four meetings in every year.
2. The Board Chairman shall convene the meeting if so requested by at least three members of the Board.

Article 14:

A meeting of the Board of Directors shall only be validly convened in the presence of the majority of its members, provided that the Chairman or Deputy Chairman shall be present. Resolutions of the Board of Directors shall be adopted by a majority vote of members present and in case of an equality of votes, the Chairman of the meeting shall have a casting vote. A member of the Board of Directors shall not absent himself from two successive Board meetings without an acceptable excuse to the Board Chairman.

Article 15:

Minutes of Board meetings shall be recorded in a special register to be signed by the Chairman, members present and the Board Secretary.

Article 16:

Subject to the provision of Article 4 of this Law, resolutions of the Board of Directors shall be deemed effective immediately upon adopting them save for decisions made in respect of the following matters which shall only be effective after their endorsement by the Supreme Oil Council.

Such matters are as follows:

1. Oil and natural gas exploration and prospecting operations which the Company decides to undertake on its own or under contracts with third parties.
2. Setting up refineries and projects for manufacture of hydrocarbonic materials.
3. Establishment of other companies either solely or jointly with third parties or participating in existing companies.
4. Overseas loans which the Company plans to conclude and domestic loans the amount of which is more than BD1 million.

Article 17:

The Prime Minister and Chairman of the Supreme Oil Council shall adopt a resolution for the appointment of a President of the Company from the members of the Board of Directors or outside the Board.

Article 18:

The President shall represent the Company before the law courts and in its relations with third parties and he shall implement the resolutions adopted by the Board of Directors.

Article 19:

The right to sign on behalf of the Company is enjoyed by the Board Chairman or his Deputy in the event of his absence and the Company's President and any other member of the Board designated by the Board of Directors to undertake running the Company's business or any other officer who is authorised by the Board Chairman to handle certain matters and to the extent of specific amounts.

Article 20:

The Chairman of the Board, his Deputy, any member of the Board of Directors or the Company's President shall not have a direct or indirect interest in the contracts concluded by the Company or in the projects it carries out.

Section Four **Auditor**

Article 21:

The Company's Board of Directors shall nominate an auditor who shall submit his report to the Board of Directors. A copy of this report shall be sent to the Minister of Oil and industry, Minister of Finance and National Economy and Minister of Commerce.

Section Five **Company's Budget**

Article 22:

The Company's financial year shall commence on 1st January and shall end on 31st December in every year, provided that the first financial year shall commence from the effective date of the Law concerning incorporation of the Company until the end of the following December.

Article 23:

1. The Board of Directors shall prepare the draft budget for the financial year for reference to the Supreme Oil Council upon the submission of the Minister of Oil and Industry for approval or taking the appropriate action in respect thereof. Such draft budget shall be prepared at least four months before the beginning of the financial year. In case of delaying approval of the draft and the start of the new financial year, the previous year's budget shall be applicable at the rate of 1/12 per month.
2. In addition, the Board of Directors shall prepare at the end of each financial year the balance sheet of the financial year which ended, profit and loss account and a report about the Company's business activities during the year which ended and its financial position during this year. This report shall include details of the Company's assets and debts.
3. The balance sheet, related profit and loss account and reports concerning the Company's business activities indicated in the preceding paragraph shall be submitted to the Supreme Oil Council and Council of Ministers for taking the appropriate decisions concerning them.

Article 24:

Subject to the provisions of Article 26, there shall be deducted from the gross profits a percentage to be decided by the Board of Directors according to the technical and accounting rules for depreciation of the Company's assets and provisions of all types or for the fall in the value thereof and to meet the Company's obligations under the Labour and Social Insurance Laws. Such funds shall be used for the purchase of the necessary materials, machinery and facilities or for the repair thereof.

Article 25:

The Company shall maintain its deposits with the Bahrain Monetary Agency and the Company may deal with banks locally and overseas.

Article 26:

Subject to the provisions of Article 24, the Company shall pay to the Government a percentage of the profits gained from its operations as determined by the Supreme Oil Council according to the Company's financial position and the Council shall fix the dates of payment.

Article 27:

The Company shall be exempted from all taxes and fees for its business activities provided for in these Articles.

Section Six
Winding up and Liquidation

Article 28:

The Company shall neither be wound up nor liquidated except by a law.

Section Seven
Final Provisions

Article 29:

1. The Board of Directors shall issue its Internal Regulations governing the conduct of its business activities.

2.

The Board of Directors shall introduce the Company's financial and administrative regulations. The Board shall issue the other executive resolutions required for the proper management of the Company according to the Articles of Association. Further, the Board shall issue the necessary rules and resolutions for enforcing the required regulations according to this Law.