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COMPANIES ACT

PART ONE COMMON PROVISIONS

TITLE I GENERAL PROVISIONS

Chapter 1 BASIC PROVISIONS

Subject matter of the Act

Article 1 (OG 40/19)

This Act regulates the formation, organisation, dissolution and status changes of companies and affiliated companies.

Transposition of European Union legislation

Article 2 (OG 40/19, 34/22, 130/23, 136/24)

(1) This Act transposes into Croatian law the following:

- Directive 2007/36/EC of the European Parliament and of the Council of 11 July 2007 on the exercise of certain rights of shareholders in listed companies (OJ L 184, 14.7.2007) 2007) as last amended by Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement (Text with EEA relevance) (OJ L 132, 20. 5. 2017),
- Directive 2009/102/EC of the European Parliament and of the Council of 16 September 2009 in the area of company law on single-member private limited liability companies (codified version) (Text with EEA relevance) (OJ L 258, 1.10.2009),
- Council Directive 2013/24/EU of 13 May 2013 adapting certain directives in the field of company law, by reason of the accession of the Republic of Croatia (OJ L 158, 10.6.2013),
- Directive (EU) 2017/1132 of the European Parliament and of the Council of 14 June 2017 relating to certain aspects of company law (codification) (Text with EEA relevance) (OJ L 169, 30.6.2017) as amended by Directive (EU) 2019/1151 of the European Parliament and of the Council of 20 June 2019 amending Directive (EU) 2017/1132 as regards the use of digital tools and processes in company law (Text with EEA relevance) (OJ L 186, 11.7.2019) and Directive (EU) 2019/2121 of the European Parliament and of the Council 27 November 2019 amending Directive (EU) 2017/1132 as regards cross-border conversions, mergers and divisions (Text with EEA relevance) (OJ L 321, 12.12.2019) (hereinafter referred to as: Directive (EU) 2017/1132).
- Directive (EU) 2022/2381 of the European Parliament and of the Council of 23 November 2022 on improving the gender balance among directors of listed companies and related measures (OJ L 315, 7.12.2022) (hereinafter referred to as: Directive (EU) 2022/2381)

(2) This Act ensures the implementation of Commission Implementing Regulation (EU) 2018/1212 of 3 September 2018 laying down minimum requirements implementing the provisions of Directive 2007/36/EC of the European Parliament and of the Council as regards shareholder identification, the transmission of information and the facilitation of the exercise of shareholders rights (Text with EEA relevance) (OJ L 223, 4.9.2018) (hereinafter referred to as: Implementing Regulation (EU) 2018/1212).

(3) The ministry competent for foreign and European affairs shall, on the basis of data received from the ministry competent for judicial matters, submit to the European Commission by 29 December 2025 and every two years thereafter, a report on the implementation of Directive (EU) 2022/2381. That report shall contain comprehensive

information on the measures taken to achieve the objectives set out in Article 272s of this Act, information submitted in accordance with Article 272p paragraph 2 of this Act and representative information on the individual quantitative objectives set by listed companies in accordance with Article 272u of this Act.

Definition of a trader and company

Article 3 (OG 40/19)

- (1) Unless otherwise provided for in this Act, a trader means any person independently and continually engaged in an economic activity for the purpose of making profit through the production and trade in goods or provision of services on the market.
- (2) Persons pursuing liberal professions governed by special regulations shall be considered traders within the meaning of this Act only if so defined by such regulations.
- (3) A company means general partnership, limited partnership, public limited company, private limited company, or economic interest grouping (hereinafter referred to as: companies).
- (4) General partnerships, limited partnerships and economic interest groupings are partnerships, whereas public limited companies and private limited companies are corporations.
- (5) A company may be formed for the purpose of engaging in an economic or some other activity.
- (6) A company shall be considered a trader regardless of whether it conducts an economic or some other activity.
- (7) For the purpose of this Act, individual farmers shall not be considered traders.

Chapter 2 LEGAL PERSONALITY

Legal personality of a company

Article 4

A company shall acquire the status of a legal person upon its registration in the court register. A company shall lose its status of a legal person upon its deletion from the court register.

Acquisition of rights and obligations

Article 5

A company may, in the course of legal transactions, acquire rights and assume obligations, own movable and immovable property, sue and be sued before courts and arbitral tribunals, and participate in other proceedings.

Pre-registration company

Article 6

- (1) A pre-registration company shall come into existence upon the conclusion of the memorandum of association, or upon the adoption of the articles of association and acquisition of all shares by the company's founders. The relationship between the founders before the company's registration in the court register shall be governed by the memorandum of association or articles of association.
- (2) Rights acquired in the name of a company prior to the company's registration in the court register shall be the undistributed joint assets of the founders. The person who assumed obligations in the name of the company prior to its registration in the court register and the company founders shall be held liable for these obligations. Where several persons assume such obligations, they shall have unlimited joint and several liability with all their assets.
- (3) Upon the company's registration in the court register, the persons referred to in paragraph 2 of this Article shall be exempt from the liability provided for therein.
- (4) Where, by virtue of a contract concluded with the creditor, the company assumes an obligation so that after the company's registration in the court register the company takes the place of the debtor, such assumption of an obligation shall require no consent from the creditor provided the said obligation is assumed within three months from the company's registration in the court register and provided the company or the debtor informs the creditor thereof within the said time limit.

(5) Where as a result of transactions carried out in the name of the company prior to the company's registration in the court register the value of the company's assets at the time of the company's registration in the said register is less than that specified in the memorandum of association, or the articles of association or the deed of formation, the founders shall pay the difference for the company.

(6) Once the company is registered in the court register, the pre-registration company shall cease to exist. The rights acquired and the obligations assumed by virtue of transactions conducted by the pre-registration company in the name of the company shall constitute the company's rights and obligations.

Branches

Article 7 (OG 40/19)

(1) A company may have one or more branches at which it conducts its business activities.

(2) A branch shall be set up by a decision of the competent body of the company in accordance with the deed of formation or the memorandum of association, or the articles of association. The decision on the setting up of a branch shall be notarised by a notary public.

(3) A branch shall not have the status of a legal person. Rights and obligations arising from its operation shall be assumed by the company. A branch shall conduct business under its corporate name. In doing so, it shall specify both its seat and the seat of its founder.

(4) The decision on the setting up of a branch shall contain the following information:

1. the corporate name and seat of the founder and the corporate name and seat of the branch;
2. the activities of the branch;
3. the full name(s), personal identification number(s), and domicile(s) of person(s) at the branch authorised to represent the founder in the management of the branch's business.

(5) A branch shall cease to exist:

1. if the founder decides to close the branch;
2. if the founder ceases to exist.

(6) Following the decision referred to in item 1 of paragraph 5 or the fulfilment of the conditions referred to in item 2 of paragraph 5 of this Article, the branch shall be deleted from the court register. The provisions of this Act relating to the deletion of a company from the court register shall apply accordingly to the deletion of a branch from the court register.

Registration of a branch in the court register

Article 8 (OG 40/19, 34/22)

(1) A branch shall be registered in the register of the court having territorial jurisdiction over the seat of the founder.

(2) The application for registration of a branch in the court register shall be submitted by the founder to the court having territorial jurisdiction over the founder's seat. The application for registration of a change in the court register shall also be submitted to the same court.

(3) The application for registration of a branch in the court register shall contain the following information:

1. the corporate name and seat of the founder and the corporate name and seat of the branch; and
2. the full name(s), personal identification number(s) and domicile(s) of person(s) authorised to represent the founder in the management of the branch's business.

(4) The decision on the setting up of the branch shall be enclosed with the application referred to in paragraph 2 of this Article.

(5) The information referred to in Article 7, paragraph 4, items 1 and 3, of this Act as well as any changes thereto shall be registered in the court register referred to in paragraph 1 of this Article.

(6) Upon registration in the register of the court having territorial jurisdiction over the seat of the founder, the said court shall provide ex officio the court of registration having jurisdiction over the seat of the branch with a copy of the application for registration accompanied by attachments thereto and the original or officially certified copy of the

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decision on registration in paper or electronic form as provided for in special regulations. The information referred to in Article 7, paragraph 4, items 1 and 3, of this Act shall be published in the same manner as announcements of the company are made.

(7) A branch may also be set up remotely, using electronic means of communication.

Chapter 3 LIABILITY FOR COMPANY OBLIGATIONS

General provisions

Article 9 (OG 40/19)

(1) A company shall be liable for its obligations with its entire assets.

(2) Deleted.

Liability of company members

Article 10 (OG 34/22)

(1) Members of a general partnership and unlimited partners in a limited partnership shall have unlimited personal joint and several liability for company obligations with their entire assets.

(2) Members of a private limited company, shareholders of a public limited company and limited partners in a limited partnership shall not be liable for the obligations of the company unless otherwise provided for in this Act.

(3) A person abusing the fact that they, as a member of a company, are not liable for the company's obligations shall not rely on them being exempt pursuant to law from such obligations.

(4) It shall be deemed that the condition for a company member's liability as referred to in paragraph 3 of this Article is met in particular where:

1. they use the company for the purpose of achieving a goal otherwise prohibited from pursuing;

2. they use the company to cause damage to creditors;

3. in violation of the law, they manage the company's assets as if they were their own assets;

4. for their own or someone else's benefit, they decrease the company's assets although they knew or should have known that it would not be able to discharge their obligations.

(5) Where bankruptcy proceedings have been instituted against a company referred to in paragraph 2 of this Article, claims against persons referred to in paragraph 3 of this Article during bankruptcy proceedings may be pursued only by the bankruptcy administrator.

TITLE II CORPORATE NAME

Chapter 1 CORPORATE NAME OF THE COMPANY

Definitions

Article 11 (OG 40/19)

(1) Corporate name means the name under which the company conducts business and under which it takes part in legal transactions.

(2) The corporate name of a company must be clearly distinguishable from the corporate names of other traders with seat in the Republic of Croatia.

(3) The corporate name of a company shall be specified in the deed of formation or the memorandum of association, or the articles of association.

(4) The corporate name of a company shall be changed as defined in the deed of formation or the memorandum of association, or the articles of association.

(5) The corporate name of a company and all changes thereto shall be registered in the court register.

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(6) The application for registration of a corporate name change in the court register shall be submitted by the company's management board or its managing members.

Accuracy principle

Article 12

All the data contained in the corporate name must be accurate.

Constituent elements of the corporate name

Article 13

(1) In addition to specifying the name of a company, the corporate name of a company shall indicate the company's objects.

(2) In addition to the elements referred to in paragraph 1 of this Article,

1. the corporate name of a general partnership shall include the words "javno trgovačko društvo" or their abbreviation "j.t.d.";

2. the corporate name of a limited partnership shall include the words "komanditno društvo" or their abbreviation "k.d.";

3. the corporate name of a public limited company shall include the words "dioničko društvo" or their abbreviation: "d.d.";

4. the corporate name of a private limited company shall include the words "društvo s ograničenom odgovornošću" or their abbreviation "d.o.o.", and the corporate name of a simplified private limited company shall include the words "jednostavno društvo s ograničenom odgovornošću" or their abbreviation "j.d.o.o.";

5. the corporate name of an economic interest grouping shall start or end with the words "gospodarsko interesno udruženje" or their abbreviation "GIU".

(3) If a member of a general partnership or a unlimited partner in a limited partnership is a company, the corporate name shall include the corporate name or the abbreviated corporate name of the said company.

Distinguishing between corporate names

Article 14 (OG 40/19)

(1) The elements of a corporate name shall not mislead as to the company's objects, perception of its identity or its relationship with another company, or infringe intellectual or other rights of others.

(2) By way of derogation from paragraph 1 of this Article, affiliated companies within the meaning of Article 473 of this Act may employ corporate names that include the same elements.

(3) If a corporate name includes the name of a company member which is identical to an already registered corporate name of another company or to another person's name contained in an already registered corporate name of another company, additional elements allowing for a clear distinction between the two corporate names shall be added to the corporate name of the company applying for registration.

Names of countries and international organisations

Article 15 (OG 40/19, 34/22)

(1) The word "Hrvatska" ("Croatia") and its derivatives, as well as other national symbols, including their imitations, may be included in the corporate name of a company as the element that defines the name more closely, or a part of such element, only upon a decision issued by the ministry competent for general administrative matters.

(2) A corporate name shall not include the names, coats of arms, flags or other state emblems of other countries or international (interstate) organisations, or official markings for quality control or quality assurance, nor the heraldic imitations thereof.

(3) By way of derogation from paragraph 2 of this Article, the elements of a corporate name referred to therein may be included in a corporate name upon authorisation by the competent authority of the relevant state or international (interstate) organisation, or where these are part of the corporate name or the name of the founder that is to be included in the corporate name of the company.

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(4) No appeal can be lodged against the decision referred to in paragraph 1 of this Article. However, an administrative dispute may be initiated.

Personal names

Article 16

- (1) A corporate name may contain the name or part of the name of a person only with the consent of that person, and if that person is deceased, with the consent of their heirs.
- (2) A corporate name may contain the name or part of the name of a historical or other famous person only with the consent of that person, and if that person is deceased, only if their name or part thereof is used appropriately and with the consent of their heirs.
- (3) Where a company, through conducting its business or otherwise, offends the honour or reputation of the person whose name was included in its corporate name, this person or, if this person is deceased, their heirs shall be entitled to request that their name be erased from the company's corporate name.

Corporate name and changes in the company

Article 17

- (1) A company shall continue to operate without any change being made to its corporate name even if some of its members withdraw as members from the company or new members join.
- (2) A company shall continue to operate without any change being made to its corporate name even if the company member whose name or corporate name are part of the company's corporate name changes their name or corporate name.
- (3) Where a company member whose name is included in the corporate name withdraws as a member from the company or dies, the company may continue conducting business under the same corporate name provided that this company member or, if the member is deceased, their heirs have consented to this.

Corporate name of a company undergoing bankruptcy or liquidation proceedings

Article 18

The corporate name of a company undergoing bankruptcy or liquidation proceedings shall be supplemented by the words "u stečaju" ("in bankruptcy") or "u likvidaciji" ("in liquidation") and shall be registered as such in the court register.

Abbreviated corporate name

Article 19

- (1) A company may also use an abbreviated corporate name.
- (2) The abbreviated corporate name shall include the distinctive part of the corporate name and the indication of the company's legal form.
- (3) The abbreviated corporate name shall be registered in the court register.

Language of the corporate name

Article 20 (OG 68/13)

- (1) The name element in a corporate name of a company shall be in the Croatian language, written in Latin script, or in an official language of a European Union Member State, written in Latin script. Arabic numerals may also be used. The other elements of a corporate name shall be in the Croatian language and shall be written in Latin script.
- (2) The corporate name of a company may include certain words from other languages where these constitute the name or the corporate name of a company member or a member's trademark or service mark registered in the Republic of Croatia or the trademark or service mark of a member's company registered in the Republic of Croatia, or if these are customary in the Croatian language, or if there is no appropriate substitute for them in the Croatian language, or if these are words of a dead language.

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(3) A translation or translations of the corporate name into one or more languages may also be registered in the court register.

Use of corporate name

Article 21

(1) A company shall use its corporate name or abbreviated corporate name in the form and content registered in the court register.

(2) If, in addition to the corporate name or abbreviated corporate name, the corporate name or abbreviated corporate name translated into a foreign language and written in a foreign script is also registered in the court register, the company may use the corporate name or abbreviated corporate name translated into a foreign language and written in a foreign script only in conjunction with the corporate name in the Croatian language and written in Latin script.

(3) The corporate name or abbreviated corporate name shall be prominently displayed at the company's business premises.

(4) The letterhead of a trader (letters, invoices, etc.) shall indicate their corporate name, seat, court of registration and number under which they are registered, corporate name and seat of the legal persons holding their accounts, and the numbers of these accounts printed on it. The same applies to the contents of the company's website.

(5) In addition to the information referred to in paragraph 4 of this Article, the letterhead and website of a corporation shall indicate the following:

1. the amount of the share capital of the company, stating whether it has been paid in full, and if not, stating the part of the aforesaid capital yet to be paid; and
2. the total number of issued shares, and where the company issues par-value shares and is a public limited company, these values;
3. the surnames and at least one name of members of the company's management board, and in the case of a public limited company, of members of the management board or executive directors and of chairpersons of the supervisory board or the board of directors.

(6) The letterhead of a general partnership and limited partnership shall also indicate the names of all company members who are personally liable for the company's obligations. The letterhead of an economic interest grouping shall also provide information on the joint power of representation where management board members are authorised to represent the grouping in such a manner.

(7) Letters to persons with whom the trader has already established a business relationship or with whom the trader has already entered into correspondence may be written on paper imprinted with only the trader's corporate name or abbreviated corporate name and seat.

(8) Orders shall be deemed business letters within the meaning of paragraph 4 of this Article. The provisions of the preceding paragraph of this Article shall not apply to them.

Principle of singularity

Article 22

All parts of a company shall operate under the same corporate name, with the possibility of adding a marking indicating that they are a part of a company.

Transfer of the corporate name

Article 23

(1) The corporate name of a company may be transferred to another person only together with the undertaking or with the substantial, prevailing portion of the undertaking.

(2) The transfer of a corporate name containing the name of a person shall require the express consent of this person, or if this person is deceased, the consent of their heirs.

Article 24 (OG 40/19)

Deleted.

Article 25 (OG 40/19)

Deleted.

Chapter 3 CORPORATE NAME OF A BRANCH

Constituent elements

Article 26

(1) A branch may conduct business under its corporate name.

(2) The corporate name of a branch shall include:

1. the corporate name or abbreviated corporate name of the company;
2. designation of the activities of the branch;
3. words indicating that this is a branch.

Application of provisions on the company's corporate name

Article 27

The provisions of this Act on the corporate name of a company shall apply accordingly to the corporate name of a branch.

Chapter 4 PROTECTION OF THE CORPORATE NAME

Principle of legality

Article 28

The court shall refuse to enter in the court register a corporate name which does not comply with the provisions of this Act.

Principle of exclusiveness

Article 29 (OG 40/19)

(1) A corporate name that is identical to or is not clearly distinguishable from an already registered corporate name may not be registered in the court register. The court shall rule on this matter ex officio.

(2) A corporate name of a branch shall include an additional element ensuring its clear differentiation from the already registered corporate name.

Principle of priority

Article 30

(1) If the court receives applications for registration in the court register of identical corporate names or corporate names that are not mutually clearly distinguishable, it shall register the corporate name that was applied for registration first.

(2) By way of derogation from paragraph 1 of this Article, where the person whose application was submitted later proves that at the time of submitting the earlier application, they used on the market the said corporate name or the substantial elements of this corporate name as a designation of their undertaking or as a trademark or service mark designating their products and services, and that they were doing so before the person who submitted the earlier application, the corporate name that was submitted for registration later shall be registered.

Protection of the rights of the holder of the already registered corporate name

Article 31

- (1) A trader whose rights have been infringed or whose market position is threatened by another person using or registering an identical or similar corporate name registered in the court register of the same or another court, or where there is a risk that their rights might be thus infringed or that their market position might be thus threatened, or whose business reputation has been taken advantage of without their authorisation or has been usurped by another person using the corporate name, may bring an action requesting that the other person stop using the corporate name in question, that the corporate name of the other person be struck off the court register, and that the other person be ordered to compensate the damage suffered by them as a result of such use of the corporate name.
- (2) The action referred to in paragraph 1 of this Article shall be brought before the court keeping the register in which the corporate name of the other person is registered. The time limit for bringing an action is three years following the registration of the latter corporate name in the court register.
- (3) Notwithstanding the provisions of paragraphs 1 and 2 of this Article, a trader may also protect their rights with respect to the use and registration of the corporate name on the basis of competition regulations and other regulations on the protection of intellectual and industrial property.

TITLE III COMPANY OBJECTS AND SEAT

Chapter 1 OBJECTS

Freedom to undertake activities

Article 32 (OG 40/19)

- (1) A company's objects may be the undertaking of any allowed activity.
- (2) Any activity that is not prohibited by law or contrary to society's moral standards shall be allowed.
- (3) If the law provides that a company may start engaging in an activity or activities that constitute(s) its objects after the competent authority adopts a decision establishing that the company complies with the technical, health, environmental and other regulations prescribed for undertaking of this activity or these activities (consent for starting an activity), it may start engaging in such an activity as soon as it obtains such a decision. The fact that the company has obtained such a decision shall not be registered in the court register nor shall such decision be deposited in the document file.
- (4) If the law provides that certain activities may be undertaken only by companies of certain forms (legal form as a requirement for engaging in an activity) or only subject to the competent authority's consent, authorisation or some other act (consent for starting an activity), such activities may be undertaken only by companies provided for by law or only where a company has obtained from the competent authority or institution the prescribed consent, authorisation or some other act.

Specification of the objects

Article 33

- (1) A company's objects shall be specified in the public limited company by its articles of association, and in other types of companies by a decision of the company members which shall be adopted when forming the company in the manner prescribed for the conclusion of the memorandum of association, and shall be amended by the majority required for amending the memorandum of association.
- (2) The objects may be specified by stating the activity that the company intends to engage in or by a general provision without such a statement.

Registration of a company's objects in the court register

Article 34

- (1) The company's objects shall be registered as evidentiary data in the court register. The company shall, by submitting the decision specifying the company's objects, and in case of a public limited company by submitting the articles of association, as well as the list of activities, notify the court of registration about the activities that form the established

company's objects. In the same manner, the company shall notify the court of registration about any modification of the established company's objects.

(2) Where another regulation prescribes that an activity shall be registered in the court register, and it is not one of the activities referred to in paragraph 3 of this Article, it shall be considered that the registration requirement has been met if the activity with regard to which such requirement is prescribed is stated in the articles of association or in the decision specifying the company's objects, and the articles of association or the decision, accompanied by the list of activities, have been submitted to the court of registration for registration as evidentiary data in the court register.

(3) Where, for specific activities, the law prescribes that they may be performed only on the basis of consent, authorisation or another act of the competent body, the company's objects, in the part that relates to these activities, shall be recorded in the court register's ledger. Registration of these activities in the court register shall be carried out only on the basis of a prior consent or authorisation of that competent authority.

Effect of the registration of the company's objects in the court register

Article 35 (OG 40/19)

(1) A company may engage in activities that form its registered objects.

(2) In addition to the activities referred to in paragraph 1 of this Article, a company may also undertake other activities serving to support the undertaking of the activities referred to in paragraph 1 of this Article, provided they are undertaken to a lesser extent or normally alongside the activity that forms the company's registered objects.

(3) All legal transactions entered into by a company and third parties outside the scope of the activities referred to in paragraphs 1 and 2 of this Article, shall be deemed valid.

Article 36 (OG 40/19)

Deleted.

Chapter 2 SEAT

Company seat

Article 37

(1) Company seat means any place in the Republic of Croatia where the company's management board is located and from where the company's operations are managed or any place where the company is permanently undertaking its activity. It is specified in the deed of formation or the memorandum of association, or the articles of association.

(2) A company may only have one seat.

(3) The seat of a company shall be registered in the court register.

(4) Where the management board of a company is located at a place other than the place registered in the court register as the company's seat or if a company permanently undertakes its activity at a place other than the place that is registered in the court register as the company's seat, the place registered in the court register shall be deemed the seat. However, where legal consequences depend on the location of the company seat, third parties may refer to the place where the company's management board is located and from where the company's operations are managed or to the place at which the company undertakes its activity.

Change of address of the seat

Article 38 (OG 40/19)

(1) A company may change its seat address in the manner defined in the deed of formation or the memorandum of association, or the articles of association.

(2) The change of a company's seat address shall be registered in the court register on the basis of the company's application.

Branch seat

Article 39

Branch seat means the place specified in the decision of the branch founder.

Court jurisdiction

Article 40 (OG 130/23)

- (1) The commercial court having territorial jurisdiction over the company seat as registered in the court register shall have jurisdiction to settle disputes among company members as well as disputes between company members and the company, where they concern positions of company members within the company, company administration and the management of company business, and the rights and duties of company members arising from their positions in the company. The same court shall also have jurisdiction to settle disputes between the chairperson and the members of the management board or the executive directors, or the company's supervisory board or the board of directors, and the company or its members, that concern their work engagements in the company or in the name of the company.
- (2) In matters referred to in paragraph 2 of Article 114, Article 115, paragraph 2 of Article 137, paragraph 2 of Article 150, paragraph 3 of Article 182, paragraph 3 of Article 203, paragraph 3 of Article 204, paragraph 3 of Article 230, Article 245, paragraph 2 of Article 247, Articles 257, 260 and 272d, paragraphs 2 and 3 of Article 273a, paragraph 3 of Article 278, Article 288, paragraphs 2 and 5 of Article 298, paragraph 2 of Article 300, paragraph 2 of Article 300h, paragraph 1 of Article 300k, paragraph 2 of Article 330, paragraph 2 of Article 367, paragraph 2 of Article 368, paragraphs 3 and 4 of Article 371, paragraph 3 of Article 375, paragraph 3 of Article 376, paragraph 1 of Article 381, paragraphs 5 and 6 of Article 382, paragraph 1 of Article 413, paragraph 6 of Article 423, paragraph 2 of Article 424, paragraph 6 of Article 426, Article 450, paragraph 2 of Article 451, paragraph 4 of Article 452, paragraph 2 of Article 470, Article 471, paragraph 1 of Article 481a, Article 491, paragraph 4 of Article 492, Article 500, paragraph 3 of Article 504a, Article 515, paragraph 3 of Article 523, paragraphs 1 and 4 of Article 527, paragraph 1 of Article 532, paragraphs 1 and 4 of Article 545, paragraph 1 of Article 547, Articles 549e and 549h, paragraph 2 of Article 550e, paragraph 2 of Article 550k, paragraph 2 of Article 550o, paragraph 2 of Article 550p, paragraphs 6 and 8 of Article 551i, paragraph 1 of Article 551j, paragraph 2 of Article 562, Article 582e, paragraph 6 of Article 582h, paragraphs 1 and 2 of Article 582i, and paragraph 3 of Article 607 of this Act the court referred in paragraph 1 of this Article shall decide in non-contentious civil proceedings.
- (3) In matters referred to in paragraph 2 of this Article proceedings shall be urgent. The time limit for appeal shall be eight days. The court of second instance shall decide on the appeal within thirty days.
- (4) Appeals against court decisions on matters referred to in paragraph 2 of Article 114, Article 115, paragraph 2 of Article 137, paragraph 3 of Article 182, paragraph 3 of Article 203, Article 245, paragraph 2 of Article 247, Articles 257, 260 and 272d, paragraphs 2 and 3 of Article 273a, paragraph 3 of Article 278, Article 288, paragraphs 2 and 5 of Article 298, paragraph 2 of Article 300, paragraph 2 of Article 300h, paragraph 2 of Article 330, paragraphs 3 and 4 of Article 371, paragraph 3 of Article 375, paragraph 1 of Article 381, paragraphs 5 and 6 of Article 382, paragraph 6 of Article 423, paragraph 2 of Article 424, paragraph 6 of Article 426, Article 450, paragraph 2 of Article 451, paragraph 4 of Article 452, Article 471, paragraph 1 of Article 481a, Article 515, paragraph 3 of Article 523, Articles 527, 545, 549e, 549h and 550e, paragraph 2 of Article 550o, paragraph 8 of Article 551, Article 582e and paragraphs 1 and 2 of Article 582i of this Act shall not postpone their enforcement.

TITLE IV REPRESENTATION

Chapter 1 GENERAL PROVISIONS

Legal representatives

Article 41

- (1) The authority to represent a company pursuant to law shall be vested with the persons defined by this Act as having such authority with respect to each of the company forms.
- (2) The names of the persons representing the company within the meaning of paragraph 1 of this Article and the restrictions to their authority in their dealings with third parties shall be registered in the court register.
- (3) The restriction referred to in Article 49 of this Act shall apply to company representatives referred to in paragraph 1 of this Article.

Representatives by power of attorney

Article 42

- (1) A company representative referred to in Article 41 of this Act may grant power of attorney to another person.
- (2) Power of attorney may be granted within the limits of the representative's authority specified in the court register.
- (3) Unless otherwise provided in this Act, the power of attorney referred to in paragraph 1 of this Article shall be granted in compliance with the law on obligations.
- (4) The restriction referred to in Article 49 of this Act shall also apply to the representatives referred to in this Article.

Representatives by employment

Article 43

- (1) A person who as a company employee has the duty to perform tasks which, by their nature, also include the conclusion of certain contracts or the performance of certain legal acts shall be granted a power of attorney by the company to conclude such contracts and perform such legal acts within the scope of their work assignments.
- (2) The restriction referred to in Article 49 of this Act shall also apply to representatives by employment.

Chapter 2 PROCURATION

Definition of procuration

Article 44

- (1) Procuration means commercial power of attorney, the content and scope of which are determined by this Act.
- (2) Procuration may be granted only by legal and natural persons that are considered traders within the meaning of this Act.
- (3) Procuration shall be granted in the manner provided for in the deed of formation or the memorandum of association, or the articles of association.
- (4) Procuration shall be granted in writing at the time of the company's formation by the decision of the founder, the articles of association, the memorandum of association or the deed of formation, or by the decision of the competent body or the authorised person in the company after the company has been formed. If procuration is granted under the articles of association, memorandum of association or the deed of formation, any subsequent changes shall not require their amendment.

Procurator

Article 45 (OG 34/22, 18/23)

- (1) Procuration may be granted to any person of age who has full legal capacity regardless of the duties they discharge and the tasks they carry out, unless otherwise provided for by the deed of formation or the memorandum of association, or the articles of association.
- (2) Procuration may not be granted to any person precluded from serving as a member of the management board of a public limited company for reasons provided for by Article 239, paragraph 2, of this Act.
- (3) Procuration may not be granted to a legal person.
- (4) Authority granted by procuration shall lapse by operation of law if circumstances prescribed by law arise that would have, had they existed at that time, prevented the granting of procuration. The trader that granted procuration shall immediately upon learning of the existence of the preclusive circumstances submit an application for registering the termination of procuration to the court of registration. If the court of registration, acting under Article 68, paragraph 6, of this Act, learns that such circumstances have arisen, it shall register the termination of procuration in the court register ex officio, and inform the trader in question thereof.

Individual and joint procuration

Article 46

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(1) Procuration may be granted to one or more persons.

(2) Where procuration is granted to two or more persons without indicating that the procuration in question is joint procuration, each of these persons shall be considered a procurator independently representing the company within the scope of authority defined by this Act.

(3) Procuration granted to two or more persons shall be considered joint procuration only where this is explicitly specified in the procuration.

(4) Declarations of intent or legal acts made by joint procurators shall have legal effect only if they are made jointly by all joint procurators. Declarations of intent or legal acts made by only one of the joint procurators shall be valid subject to express prior consent or express subsequent approval from the remaining joint procurators.

(5) A declaration of intent or a legal act made towards one procurator shall have the same legal effect as if it were made towards all the procurators.

(6) Knowledge of legally relevant facts or culpability of one of the joint procurators shall produce legal effects on the principal, regardless of the knowledge or culpability of the other joint procurators.

Scope of authority conferred by procuration

Article 47

(1) A procurator may enter into any contract and take any legal act in the name of and for the account of the company and may represent it in proceedings before administrative and other state bodies, institutions vested with public authority, and courts and arbitral tribunals.

(2) Unless they have been specially authorised to do so, a procurator may not dispose of or encumber the company's immovable property, or make statements or perform legal acts instituting bankruptcy or other proceedings that lead to the company's dissolution. A procurator may not grant power of attorney for the conclusion of business deals to other persons.

Restrictions on procuration

Article 48

(1) A restriction on procuration not provided for in this Act shall have no effect in respect of third parties, regardless of whether the third parties knew or should have known of it.

(2) Unless registered in the court register, a restriction on procuration to the business conducted by one or more branches shall have no effect in respect of third parties.

Self-contracting

Article 49

Unless specially authorised by the company to do so, a procurator may not act as the other contracting party and conclude contracts with the company in their own name and for their own account, in their own name but for the account of others, or in the name and for the account of others.

Signature of a procurator

Article 50

A procurator shall sign for the company with their full name, indicating their status as procurator, or adding the abbreviation "p.p."

Transfer of procuration

Article 51

(1) Procuration shall not be transferable to other persons.

(2) Any procuration clause or statement made by the company authorising the procurator to transfer procuration or any statement of the company authorising in advance or subsequently the transfer of procuration shall have no legal effect.

Removal of procuration Article 52

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(1) Procuration may be removed at any time, regardless of the content of the contract or other legal transaction on the basis of which it was granted.

(2) Any contractual provision by which a company waives its right to remove procuration as well as any provision by which the right to removal of procuration is made conditional on a particular time limit or condition shall be deemed null.

(3) Where procuration is removed, the provisions of paragraphs 1 and 2 of this Article shall neither exclude nor restrict the rights of the procurator provided for in the instrument granting procuration.

Article 53 (OG 40/19)

Deleted.

Registration of procuration

Article 54 (OG 34/22)

(1) Both the granting of procuration and its removal shall be registered in the court register. The decision on the granting of procuration and the procurator's statement of acknowledgement thereof, or the decision on the removal of procuration or the procurator's statement of termination of procuration, shall be attached to the application for registration in the court register.

(2) The full name and the personal identification number of the procurator shall be registered in the court register, whereas the restriction referred to in Article 48, paragraph 2, of this Act shall be registered in the court registers for both the company and the branch.

(3) In relation to third parties that neither knew nor should have known that the procuration had been removed, the removal of procuration shall take effect on the date of its registration in the court register.

Chapter 3 COMMERCIAL POWER OF ATTORNEY

Definition of commercial power of attorney

Article 55

(1) The holder of commercial power of attorney shall be a company employee or any other person authorised by the trader to run the undertaking in whole or in part.

(2) Commercial power of attorney shall be granted in writing.

Powers conferred by commercial power of attorney

Article 56

(1) The holder of commercial power of attorney shall be authorised to conclude all contracts and perform all legal acts that are either customary in or required for the running of an undertaking or the part of an undertaking to which their power of attorney relates.

(2) Unless they have been specially authorised to do so, the holder of commercial power of attorney may not dispose of or encumber the immovable property of their principal, bind their principal by means of a bill of exchange or cheque, assume any obligations stemming from a guaranty, take out a loan for their principal, agree a settlement, or conduct litigation.

(3) Restrictions on the powers of the holder of commercial power of attorney, except for those referred to in the previous paragraph of this Article, shall have no effect in respect of third parties that neither knew nor should have known about them.

(4) The restriction referred to in Article 49 of this Act shall also apply to the holder of commercial power of attorney.

(5) Unless expressly authorised by the principal, the holder of commercial power of attorney may not transfer to another person the powers conferred on them by the power of attorney.

Chapter 4 POWER OF ATTORNEY GRANTED TO A TRAVELLING SALESPERSON

Persons authorised to grant power of attorney and form of power of attorney

Article 57

- (1) A trader may grant to their employee or another person power of attorney as a travelling salesperson.
- (2) Power of attorney to a travelling salesperson shall be granted in writing.

Powers conferred by power of attorney to a travelling salesperson

Article 58

- (1) A travelling salesperson shall be authorised in the name and for the account of the principal to conclude contracts on the sale of the principal's goods, deliver goods, collect payments specified in the said contracts, and take statements from buyers with regard to the goods that are the subject of the contract concluded by the travelling salesperson in the name of the principal.
- (2) A travelling salesperson shall be authorised to make statements and perform other legal acts in the name and for the account of the principal in order to protect the principal's rights stemming from the contract which they have concluded in the name and for the account of the principal.
- (3) A restriction to the powers conferred on a travelling salesperson shall have no effect in respect of third parties that neither knew nor should have known about it.
- (4) Unless specially authorised to do so, a travelling salesperson may not sell goods on a deferred-payment or payment-in-instalments basis.
- (5) The restriction referred to in Article 49 of this Act shall also apply to travelling salespersons.

TITLE V COURT REGISTER

Subject matter of registration

Article 59

Traders and all data prescribed by law and changes thereto shall be registered in the court register.

Register

Article 60

- (1) The register shall be kept by commercial courts.
- (2) The organisation and the keeping of the register as well as the procedures to be followed in register matters shall be regulated by law.

Manner of registration

Article 61 (OG 40/19)

- (1) Registration in the court register shall be made pursuant to the decision of the court of registration.
- (2) Registration in the court register shall be made on the basis of the application for registration. Such registration shall be made ex officio only in such cases as provided by law.

Application for registration

Article 62 (OG 40/19)

- (1) The application for registration in the court register shall be submitted in the manner prescribed by the law governing the procedure to be followed by courts in register matters.

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(2) The documents referred to in the said application shall be attached to the application in original, officially certified photocopy or copy or in another form prescribed by law.

(3) Unless otherwise provided in this Act, the application for registration shall be submitted for:

- a general partnership, by all its members,
- a limited partnership, by all general partners,
- a public limited company, by all members of the management board and the chairperson of the supervisory board or all executive directors and the chairperson of the board of directors,
- a private limited company, by all members of the management board and, if it has a supervisory board, also by the chairperson of that board.

(4) Unless otherwise provided by law, the application referred to in paragraph 1 of this Article shall be submitted within 15 days from the date on which the requirements for registration provided for in this Act or special legislation have been met.

Prohibition of defaulting persons from forming a company or being appointed as members of the management board or executive directors

Article 62a (OG 130/23, 136/24)

(1) A legal or natural person may not form a company if they, the private limited company they are a member of and in which they hold a business share representing at least 25% of the share capital, the public limited company of which they are the sole member, a partnership of which they are a member personally liable for its obligations:

- have outstanding debts for public contributions under a general tax regulation to be collected by the Tax Administration or whose application for a debt balance certificate has been denied,
- have been included in the list of taxpayers/employers not paying wages according to available data, made publicly available on the website of the Tax Administration of the Republic of Croatia under income tax regulations.

(2) A legal or natural person may not form a company if within one year prior to submitting an application for forming a new company they were a member of a private limited company in which they hold a business share representing at least 25% of the share capital, they were the sole member of a public limited company, they were a member of a partnership that is personally liable for its obligations, or a responsible person of a company wound up in bankruptcy proceedings due to outstanding debts for public contributions under a general tax regulation to be collected by the Tax Administration.

(3) A natural person may not become a member of the management board or an executive director in a company if they, the private limited company they are a member of and in which they hold a business share representing at least 25% of the share capital, the public limited company of which they are the sole member, or a partnership of which they are a member personally liable for its obligations has outstanding debts referred to in paragraph 1 of this Article.

(4) The provisions on the prohibition of formation of a company and the prohibition of being appointed as members of the management board or executive directors in companies referred to in this Article and Article 68, paragraph 3 of this Act shall not apply if the outstanding debts for public contributions within the meaning of a general tax regulation, to be collected by the Tax Administration, amount to less than EUR 30.00.

Article 63 (OG 40/19)

Deleted.

Publication of registration

Article 64 (OG 110/15, 40/19)

(1) Registrations in the court register shall be published by the commercial court on the website of the court register.

(2) Registrations shall be considered published upon the expiry of the day when they are published on the website of the court register.

Public access to the register

Article 65

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- (1) Any person may, during court office hours and in the presence of an authorised court employee, inspect the data registered in the register, the documents on the basis of which the registration was made, and the documents deposited in the register, with the exception of documents to which, pursuant to law, the principle of public access to the register does not apply.
- (2) Any person may obtain an officially certified copy or photocopy of the data contained in the register, the documents on the basis of which registration was made, and the certificate attesting to a particular trader's registration status.
- (3) The court shall not require the person requesting to inspect the register and the documents or requesting officially certified copies or photocopies of the data contained in the register or the documents to state the reason or purpose for them making such a request.

Effect of registration

Article 66

- (1) No one may refer to the fact that the data contained in the court register which were published in the manner provided for in this Act or company by-laws are unknown to them.
- (2) Third parties may refer to unpublished documents and data provided that the taking effect of such documents and data is not contingent on their publication.
- (3) Any person may refer to the status of an entry in the register as regards the legally relevant data and facts registered in the court register pursuant to this and other acts, with the exception of persons proven to have known that the actual status as regards such data differs from the entry's status in the register. With regard to acts performed before the sixteenth day following the date of the entry's publication, a third party cannot be challenged with registered data or documents that have been published if they prove that they could not have known about them.
- (4) A bona fide person shall not suffer any damage because they have relied with regard to the legally relevant data and facts on the status of an entry in the register.
- (5) Where the data or the facts registered in the court register have been incorrectly published, a third party may refer to what has been published provided that they did not know that the published particular or fact did not correspond to what had been registered in the court register.
- (5) In the case of legal transactions carried out via a branch, the relevant data on the branch shall be the data registered in the court register in which the branch is registered and which the court of registration has published.

Territorial jurisdiction

Article 67

The application for registration in the court register shall be made with the commercial court having territorial jurisdiction over the seat of the trader.

PART TWO COMPANIES

TITLE I GENERAL PARTNERSHIP

Chapter 1 FORMATION

Definition of general partnership

Article 68 (OG 18/23, 130/23 – in force as of 01/01/2024)

(1) A general partnership is a commercial company in which two or more persons have joined in order to permanently engage in activities under a common corporate name, whereby each member of the company has unlimited joint and several liability to company creditors with all their assets.

(2) A company member may be any natural or legal person.

(3) A person convicted by a final judgment of a criminal offence of terrorist financing or criminal offence of money laundering may not acquire membership in a company while the legal consequences of the conviction are still in effect. A person subject to international restrictive measures regarding the disposal of assets may also not acquire membership in a company while those measures are in effect.

A legal or natural person may also not acquire membership in a company if:

– they, the private limited company they are a member of and in which they hold a business share representing at least 25% of the share capital, the public limited company of which they are the sole member, or a partnership of which they are a member personally liable for company obligations, have outstanding debts referred to in Article 62a, paragraph 1, of this Act, or

– within one year prior to submitting an application for registering a member or changing the membership of a company they were a member of a private limited company in which they hold a business share representing at least 25% of the share capital, they were the sole member of a public limited company, they were a member of a partnership that is personally liable for company's obligations, or a responsible person of a company wound up in bankruptcy proceedings due to outstanding debts for public contributions under a general tax regulation to be collected by the Tax Administration. The company may request from the prospective member to declare or to submit a certificate issued by the Ministry of Finance, Tax Administration, affirming that no outstanding debts referred to in the third sentence of this paragraph exist. The companies referred to in the third sentence of this paragraph shall, upon request by their member who intends to become a member of a different company, provide the certificate issued by the Ministry of Finance, Tax Administration, affirming that no outstanding debts referred to in the third sentence of this paragraph exist.

(4) If the member of the company becomes subject to international restrictive measures regarding the disposal of assets, or if the member of the company is convicted by a final judgment of a criminal offence referred to in paragraph 3 of this Article, the member's rights and authorities in the company shall be suspended from the moment the company receives the notifications referred to in paragraph 6 of this Article, for as long as such restrictive measures or the legal consequences of the conviction are in effect.

(5) The ministry competent for judicial matters shall, as part of the records referred to in Article 239 of this Act, also record persons convicted by a final judgment of a criminal offence of terrorist financing or criminal offence of money laundering and persons subject to international restrictive measures regarding the disposal of assets.

(6) Upon every entry in the records referred to in paragraph 5 of this Article of a person convicted by a final judgment of a criminal offence of terrorist financing or criminal offence of money laundering or a person subject to international restrictive measures regarding the disposal of assets, the ministry competent for judicial matters shall check whether the person entering the register is registered in the court register as a company member. If so, the ministry shall immediately notify the company concerned and the court of registration thereof. The court of registration shall ex officio make an entry in the court register that the company member's rights and authorities have been suspended and, if known, the length of the suspension.

Application of the provisions on civil law partnership

Article 69

Unless otherwise provided for in this Act, regulations on obligatory relations within the civil law partnership shall be applicable to general partnerships.

Application for registration in the court register

Article 70 (OG 40/19)

(1) The application for registration in the court register shall include the corporate name, seat and business address, full name, personal identification number and domicile, or corporate name and seat of each company member, full names

and powers of persons authorised to represent the company, and activities referred to in Article 34, paragraph 3, of this Act.

(2) The application referred to in paragraph 1 of this Article shall be accompanied by the agreement on the company's formation (memorandum of association) and the decision specifying the company's objects.

(3) In addition to the data referred to in paragraph 1 of this Article, any change to the memorandum of association, a company's corporate name and seat, activities referred to in Article 34, paragraph 3, of this Act, a new member joining the company, termination of company membership, as well as any change to the authority to represent the company shall be registered in the court register.

Chapter 2 LEGAL RELATIONSHIPS BETWEEN MEMBERS

Memorandum of association

Article 71

(1) Legal relationships between company members shall be governed by the memorandum of association.

(2) The provisions of this Chapter of the Act shall apply insofar as relationships between company members have not been regulated otherwise by the memorandum of association.

Contributions to the company

Article 72

(1) Unless otherwise agreed, company members shall contribute equally.

(2) A member may invest money, assets, rights, labour and other services or goods in the company. The value of non-monetary contributions shall be defined in monetary terms by mutual agreement between company members.

(3) A company member shall not be required to increase their initially agreed upon contribution nor supplement it if it decreases as a result of company losses.

Reimbursement of costs and damages

Article 73

(1) Where a company member incurs for the company costs which according to circumstances may be considered to be necessary or where as a direct result of having managed the company's operations or as a result of the risks related thereto, they suffer damage, the company shall compensate them for this.

(2) On the amount of money the company is required to pay a company member by virtue of paragraph 1 of this Article, the company shall also pay interest from the day the company member incurs costs or suffers damage until the time they are compensated for them.

(3) A company member may request that the company pay them an advance payment for costs that are necessary for the management of the company's operations.

(4) A company member shall transfer to the company without delay all benefits which they receive from third parties for the management of the company's operations or which they derive from the management of the company's operations.

Consequences of delay

Article 74

(1) A company member who fails to pay in time a money contribution or who fails to hand over to the company in time the money taken in the name of the company or who takes the company's money without justification or is late in making other contributions shall be required to pay to the company statutory default interest, unless a higher interest rate is stipulated in the memorandum of association, calculated from the day when they were due to pay or make the contribution, or from when they were due to hand over the money, or from when they unjustifiably took the money.

(2) The company may claim a higher amount of damages.

Duty of care

Article 75

In performing their duties, a company member shall act with the due care of a prudent businessman.

Prohibition of competition

Article 76

- (1) Absent the express consent of the other company members, a company member may neither manage such business as comes within the scope of the company's objects nor participate in any other company as a personally liable member.
- (2) If upon a person becoming a member of the company the other members are aware that the said person is a member of another company in which they are personally liable and if such person's membership in the company is not expressly made subject to them resigning as a personally liable member in the other company, it shall be deemed that consent for participation in the other company has been given.

Consequences of prohibited competition

Article 77

- (1) Where a company member violates the obligation provided for in Article 76, paragraph 1, of this Act, the company may claim damages from them.
- (2) Instead of claiming damages referred to in paragraph 1 of this Article, the company may request from a member to acknowledge the business that they transacted in their own name as business transacted in the name of the company or to hand over to the company whatever they have gained from the business that they transacted for the account of a third person or to assign to the company the right to whatever they are to gain from such business.
- (3) The exercise of the company's rights referred to in this Article shall be decided upon by other members of the company. The statute of limitations for company claims shall be three months following the day when other company members learn of the breach of duty referred to in Article 76, paragraph 1, of this Act. Regardless of them learning of the breach, the statute of limitations for such claims shall be five years from the day the said breach is committed.
- (4) These provisions shall be without prejudice to the right of other company members to request the company's dissolution.

Management of the company's operations

Article 78

- (1) Each company member shall have the right and duty to manage the company's operations.
- (2) Where the memorandum of association provides that the management of the company's operations is to be conducted by a particular company member or members, other company members shall be excluded therefrom.

Manner of managing the company's operations

Article 79

- (1) Where all or a number of company members are authorised to manage the company's operations, each of them shall be authorised to do so independently. Where a company member authorised to manage the company's operations objects to the performance of a certain act, the said act may not be performed.
- (2) Where the memorandum of association specifies that company members authorised to manage the company's operations may do so only jointly, the conduct of all business transactions, provided there is no risk of delay, shall require the consent of all authorised members.

Non-compliance with instructions. Reporting requirement

Article 80

- (1) The memorandum of association may provide that company members authorised to manage the company's operations must comply with instructions given by other company members.

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(2) Where the obligation referred to in paragraph 1 of this Article exists, a company member may go against the instructions received if in view of the circumstances they believe them to be unwarranted. In such case they shall inform the other company members thereof and wait for their decision. A member may also act regardless of the instructions received where a delay in the conduct of business resulting from having to wait for the other members' decision would be detrimental and where they believe that the other members, were they aware of the actual situation, would approve of their conduct.

(3) A member authorised to manage the company's operations is required to provide the company with necessary information and, when requested to do so, report on the state of the company's affairs and render an account of their work.

Scope of authority to manage the company's operations. Procuration

Article 81

(1) The authority to manage business shall include all acts performed within the ordinary course of the company's business.

(2) An act outside the ordinary course of business may be undertaken only with the consent of all company members.

(3) Unless there is a risk of delay, procuration may be granted only with the consent of all members authorised to manage the company's operations. Procuration may be removed by any company member authorised to grant it independently or jointly with other members.

Cancellation authority to manage business

Article 82

Where there is just cause, the court shall, on the basis of an action filed by other company members, cancel a member's authority to manage the company's operations. A gross breach of duty or a member's inability to manage the company's operations on a regular basis shall in particular constitute just cause.

Renouncement of authority to manage business

Article 83

(1) Where there is just cause, a member may renounce their authority to manage the company's operations. They may not renounce this right in advance.

(2) A member may renounce their authority to manage the company's business only by giving a notice period that enables the other members to take all the steps necessary to ensure the subsequent management of business, unless there is just cause for them to renounce the said authority before the expiry of the notice period.

(3) Where a member renounces their authority to manage the company's operations without just cause, they shall compensate the company for the damage thus caused.

Right to information

Article 84

(1) Even if they are excluded from managing the company's operations, each company member is entitled to information about the company's operations, to examine and inspect books and records, and to prepare annual financial statements for their own ends.

(2) The rights referred to in paragraph 1 of this Article may not be excluded or restricted where there is reason to assume that the company's operations are not managed in a fair and orderly manner.

Decision-making

Article 85

(1) Company decisions shall be taken only with the consent of all members authorised to participate in decision-making.

(2) If the memorandum of association provides that decisions are to be taken by a majority vote, in case of doubt, majority shall be taken to mean the majority of members.

Profit and loss statement

Article 86

- (1) The profit and loss statement shall be prepared at the end of each financial year. On the basis thereof, each member shall be provided their distribution of profits or losses in proportion to their share in the company.
- (2) A company in which no member is a natural person shall submit its annual financial statements together with the report on the company's standing immediately upon their having been accepted by the company's members, including the audit report if the audit of the annual financial statements is required by law or provided for in the memorandum of association, to the court register for the purpose of registering their submission and publishing such registration.
- (3) Notwithstanding the provision of paragraph 2 of this Article, a company which according to accounting regulations is deemed a small entrepreneur shall not be required to prepare the report on the standing of the company.

Share of profits and losses

Article 87

- (1) One third of annual profits shall be distributed among company members in such a way that each member receives a share corresponding to their share in the company's capital.
- (2) In calculating the share of profits to which a member is entitled pursuant to paragraph 1 of this Article, the contributions to the company made by the member during the course of the financial year shall be calculated in proportion to the length of time that has elapsed from when the payment was made. Where during the course of the financial year a member reduces their share in the company's capital, the share thus reduced shall be taken into account in proportion to the length of time passed from when the reduction was made.
- (3) The part of annual profit exceeding the shares of profits calculated pursuant to paragraphs 1 and 2 of this Article, as well as the losses sustained during the course of the financial year, shall be distributed equally among company members.
- (4) Where the memorandum of association contains a provision different from that of paragraph 3 of this Article but regulates either the share of profits or the share of losses, it shall be deemed, in case of doubt, that such provision applies to both profits and losses.

Prohibition to reduce the share in the company's capital

Article 88

A company member may not reduce their share in the company's capital without the consent of the other company members.

Repayment of loans

Article 89

The provisions of Article 408 of this Act shall apply accordingly to companies in which no member is a natural person in such a manner that what applies to members of a private limited company also applies to members of a general partnership. This shall not apply if one of the company members is a general partnership or a limited partnership in which a natural person is a member personally liable for the company's obligations.

Chapter 3 LEGAL RELATIONSHIPS BETWEEN COMPANY MEMBERS AND THIRD PARTIES

Prohibition of company members to dispose of their shares in the company

Article 90

A company member shall not dispose of their share in the company without the consent of the other company members.

Company representation

Article 91

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(1) Each member shall be authorised to represent the company provided they are not excluded from representation pursuant to the memorandum of association.

(2) The memorandum of association may provide that all or a number of company members may represent the company only jointly. Company members authorised to represent the company jointly may authorise anyone from among themselves to perform in the name of the company certain acts or certain types of acts. As regards declarations of intent to the company by third parties, it shall suffice that they be made to one of the members authorised to represent the company jointly.

(3) The memorandum of association may provide that company members, where several of them do not act jointly, are authorised to represent the company only in the company of the procurator. In such case, the second and third sentence of paragraph 2 of this Article shall apply accordingly.

Scope of authority to represent

Article 92

(1) A company member may enter into legal transactions and perform legal acts in and out of court and may dispose of and encumber immovable property and grant and remove procuration.

(2) The restrictions on the authority to represent shall have no effect in respect of third parties. This shall apply in particular if the authority is restricted only to certain transactions or types of transactions and where it is to be exercised only under certain conditions, for a certain period of time, or at a certain location.

Cancellation of authority to represent

Article 93

Where there is just cause, the court shall, on the basis of an action filed by other company members, cancel a company member's authority to represent the company. A gross breach of duty or a member's inability to duly represent the company shall in particular be deemed just cause.

Personal liability of company members

Article 94

(1) Each member shall be liable for company obligations to creditors with all their assets and jointly and severally with other company members.

(2) Any agreement between company members concerning their liability for company obligations which is contrary to the provision of paragraph 1 of this Article shall be have no effect in respect of third parties.

Defence and set-off

Article 95

(1) Where a company creditor requests that a company member discharge an obligation owed to them by the company, the company member may raise defences that may be asserted by the company as well as personal defences.

(2) A company member may refuse to discharge an obligation towards the creditor if the company is entitled to challenge the validity of the legal transaction that has given rise to the obligation whose discharge the creditor seeks.

(3) A company member shall have the right referred to in the preceding paragraph of this Article also where the creditor's claim may be set off against a company's outstanding claim.

Liability of a new company member

Article 96

(1) A person joining an already existing company shall be liable under Articles 94 and 95 of this Act to the same extent as other company members for company obligations incurred prior to them joining the company.

(2) A different agreement between company members as regards their liabilities shall have no effect in respect of third parties.

Chapter 4 DISSOLUTION OF THE COMPANY AND WITHDRAWAL OF MEMBERS FROM THE COMPANY

Grounds for dissolution

Article 97

The grounds for dissolution shall be as follows:

1. expiry of the period for which the company was formed;
2. decision of company members;
3. final court decision establishing that the registration of the company in the court register was unlawful;
4. institution of bankruptcy proceedings;
5. death or dissolution of a company member, unless the memorandum of association provides otherwise;
6. institution of bankruptcy proceedings against a company member;
7. termination by a company member or their creditor;
8. final court decision.

Termination by a company member

Article 98

- (1) If a company was formed for an indefinite period of time, any company member shall only be entitled to terminate the memorandum of association as of the last day of the financial year with a notice period of at least six months expiring by that day.
- (2) Any agreement excluding the right of a company member to terminate the agreement or making it harder for them to exercise such right shall be null.

Dissolution of company pursuant to court decision

Article 99

- (1) Where there is just cause, the court shall, on the basis of an action filed by a company member, decide that the company be dissolved prior to the expiry of the period for which the company was formed or, where such a term has not been set, that the company be dissolved without notice of termination.
- (2) In particular, just cause shall be deemed to exist where another company member has deliberately or by gross negligence breached an essential obligation of theirs or where the fulfilment of such an obligation or of the company's purpose has become impossible or where this purpose has already been fulfilled.
- (3) An agreement excluding or, contrary to the provisions of paragraphs 1 and 2 of this Article, restricting a company member's right to bring an action requesting the company's dissolution shall be null.
- (4) An action shall be brought against all other company members only in the court referred to in Article 40, paragraph 1, of this Act.

Company existing for the duration of a member's life. Tacit continuation of company

Article 100

The provisions of Articles 98 and 99 of this Act shall apply accordingly to companies formed for the duration of a particular member's life or for a definite period and which then tacitly continue transacting business.

Termination by a company member's creditor on account of their claims against the member

Article 101

A company member's creditor who, after unsuccessfully trying during the last six months to enforce their claims against the company member's movable property, seizes on the basis of an enforceable document the company member's share in the company and transfers the request for payment of what the member would receive from the

company after the company's dissolution, may terminate the memorandum of association six months prior to the end of the financial year irrespective of whether the company was formed for a definite or indefinite period of time. The creditor may request from the company only what the company member would be entitled to receive after the company's dissolution.

Authority of a bona fide member to manage the company's operations

Article 102

Where the company is not dissolved by termination but otherwise, the company member shall be authorised to manage the company's operations until they learn or should have learned of the company's dissolution.

Death or dissolution of a company member and bankruptcy of a company member

Article 103

(1) Where a company is dissolved due to the death of one of its members, their heir shall immediately inform the other company members of the member's death and, where there is a risk of delay, shall continue performing the decedent's tasks until the other members and they decide differently. Likewise, the other members shall temporarily continue performing the tasks entrusted to them. In this sense it shall be deemed that the company still exists.

(2) The provisions of the second and third sentences of paragraph 1 of this Article shall apply accordingly if a company has been dissolved due to the institution of bankruptcy proceedings against a company member.

Continuation of the company after a company member withdraws from the company

Article 104

If the memorandum of association provides that where a member terminates the said agreement or dies or where bankruptcy proceedings are instituted against a company member, the company is to continue carrying on business with the remaining members, the member in respect of whom such a condition has been met shall withdraw from the company at such a point in time when, were it not for such a provision of the memorandum of association, the company would cease to exist.

Consequences of a member's withdrawal from the company and liability for company obligations

Article 105

(1) The share of the member withdrawing from the company shall accrue to the other members.

(2) Assets given to the company by the member that has withdrawn from the company shall be returned to the said member. The said member may not seek compensation for accidental destruction of, damage to or decrease in the value of these assets.

(3) A member that has withdrawn from the company shall be paid in money the counter value of what they would receive on the basis of a settlement of accounts that would be made were the company dissolved at the time of their withdrawal. The value of the company's assets shall be established, where necessary, by official valuation.

(4) Where the value of the company's assets does not suffice to cover the company's debts and the company members' shares of the company's capital, the member that has withdrawn from the company shall pay a share of the outstanding amount in proportion to their participation in the company's losses.

(5) The member that has withdrawn from the company shall be liable to creditors for the company's obligations incurred up until the registration of their withdrawal from the company in the court register.

Participation of the member that withdrew from the company in business still pending

Article 106

(1) The member that withdrew from the company shall participate in profits and losses resulting from business activities that at the time of their withdrawal were pending. The company shall be authorised to wrap up its business activities in the manner deemed most appropriate by it.

(2) At the end of each financial year, the member that withdrew from the company may request that a settlement of accounts regarding all business activities wrapped up during the previous year be made, that they be paid the amount they are entitled to therefrom, and that they be informed of the status of business still pending.

Continuation of the company with heirs

Article 107

- (1) Where the memorandum of association provides that, in the case of a member's death, the company shall continue operating with their heirs, each heir may make their participation in the company conditional on them being acknowledged, on the basis of their earlier share of profits, as a limited partner and that a portion of the decedent's contribution belonging to them be acknowledged as their limited contribution to the company.
- (2) Where the other members do not agree to the heir's proposal referred to in paragraph 1 of this Article, they may claim the right to withdraw from the company without being obliged to give notice thereof.
- (3) The heirs may exercise the rights referred to in paragraphs 1 and 2 of this Article within three months from the date the decision on inheritance becomes final. Where the heir has no legal capacity and has not been appointed a statutory representative, the said time limit shall start to run from the moment they are appointed a representative or obtains legal capacity.
- (4) Where within the time limit referred to in paragraph 3 of this Article, the heir withdraws from the company, the company is dissolved or the heir becomes a limited partner, they shall be liable for the obligations of the company incurred by then only according to civil law regulations on the liability of the heir for the debts of the decedent.
- (5) The application of paragraphs 1 to 4 of this Article may not be excluded by the memorandum of association. In case the heir makes his membership in the company conditional on their being acknowledged as a limited partner, their share of profits may be defined otherwise than as had been regulated with the decedent.

Expulsion of a member instead of the company's dissolution by court's termination

Article 108

- (1) Where any of the conditions on account of which company members would be entitled under the provisions of Article 99 of this Act to bring an action requesting that the company be dissolved are met in respect of a company member, the court shall decide on the basis of the action brought by these members that the member be expelled from the company.
- (2) Assets shall be divided between the company and the expelled member on the basis of the company's asset status at the time the legal action seeking the expulsion of the member from the company is brought.

Withdrawal of a member instead of the company's dissolution due to the termination by a creditor

Article 109

- (1) Where a creditor of a company member exercises the right referred to in Article 101 of this Act, the other members may, on the basis of their prior decision, state to the creditor that the company as formed between these members shall continue. In such case, the company member who is the debtor shall withdraw from the company at the close of the financial year.
- (2) The provisions of paragraph 1 of this Article shall also apply where bankruptcy proceedings have been instituted against a company member. In such case the statement referred to in paragraph 1 of this Article shall be given to the bankruptcy administrator, while the debtor in bankruptcy shall withdraw from the company on the date of institution of bankruptcy proceedings.

Take-over of the company's business without conducting liquidation proceedings

Article 110

- (1) Where a company consists of only two members and a reason for exclusion occurs in respect of one of them, which reason for expulsion, if the company consisted of more members, would allow for their expulsion from the company, the court may authorise the other member on the basis of their action to take over the company's business with both assets and liabilities without putting the company in liquidation.
- (2) Where a creditor of one of the two members decides to exercise their rights referred to in Article 101 of this Act or where bankruptcy proceedings are brought against one of the two members, the other member shall be entitled to take over the company without putting the company in liquidation in the manner provided for in paragraph 1 of this Article.

(3) The provisions governing the withdrawal of a member from the company shall apply accordingly to the statement of accounts and distribution.

(4) Either person referred to in paragraph 1 of this Article may submit an application to the court for registration of termination of company membership.

Application for registration of the occurrence of a reason for the company's dissolution in the court register

Article 111

(1) Unless the company is dissolved as a result of bankruptcy proceedings being instituted against it, the application for registration of the occurrence of a reason for the company's dissolution in the court register shall be submitted to the court.

(2) The same shall apply to the withdrawal and expulsion of a member from the company. In such cases, the application may be made by any of the remaining members of the company.

(3) If the death of a company member results in the company's dissolution or a member's withdrawal from the company, the application may be submitted to the court without the participation of the heirs who were prevented from submitting such an application by specific obstacles.

(4) If the company is dissolved by court decision, the application referred to in paragraph 1 of this Article may be submitted by any company member.

Continuation of the company after bankruptcy proceedings

Article 112 (OG 40/19)

(1) If, after the decision confirming the bankruptcy plan has become final, the decision on the closing of bankruptcy proceedings is adopted, company members may decide that the company shall continue conducting business.

(2) The application for registration of the company's continuation in the court register shall be submitted to the court.

Chapter 5 LIQUIDATION

Institution of liquidation proceedings

Article 113

(1) Unless company members agree otherwise on the manner of settling of accounts and distribution or unless bankruptcy proceedings against the company have been instituted, liquidation proceedings shall be instituted upon the occurrence of a reason for the company's dissolution.

(2) Where a company has been dissolved because a creditor of one of the company members has given notice of termination or because bankruptcy proceedings have been instituted against a company member, liquidation need not be carried out provided the creditor or the bankruptcy administrator consents to this.

Appointment of liquidators

Article 114

(1) Unless company members decide or the memorandum of association provides that liquidation shall be conducted by particular company members or by other persons, liquidation shall be conducted by all company members as liquidators. Multiple heirs of the same decedent shall appoint a joint representative.

(2) Upon a motion by any of the above mentioned persons, liquidators may, where there is just cause, be appointed by the court having territorial jurisdiction over the company's seat. The court may appoint as liquidators persons who are not company members. Persons deemed participants in the appointment of liquidators shall be company members as well as the creditor who on account of their claims against a company member has terminated the memorandum of association.

(3) If bankruptcy proceedings have been instituted against a company member, the bankruptcy administrator shall take the place of the company member in question.

Removal of liquidators

Article 115

Liquidators shall be removed from office by a unanimous decision of the persons referred to in Article 114, paragraphs 2 and 3, of this Act. Where there is just cause, liquidators may also be removed from office by the court upon a motion by a participant.

Application for registration of liquidators in the court register

Article 116

(1) The application for registration of liquidators in the court register shall be submitted to the court together with the application referred to in Article 111, paragraph 1, of this Act. The foregoing shall apply to every change of liquidators and their authorities to represent the company. If a company member dies, registration may be made without the participation of the heirs in the submission of the application to the court, provided specific obstacles have prevented the heirs from submitting the application.

(2) The appointment or removal of liquidators by the court shall be registered by the court ex officio.

Duties of liquidators

Article 117

The liquidators shall wind up all current transactions, collect the company's claims, convert the remaining assets to money, and discharge the company's liabilities and obligations. To the extent required to carry out the liquidation, the liquidators may also enter into new transactions. They shall also, within the scope of their assigned functions, represent the company.

Joint representation

Article 118

(1) Where there are several liquidators, they shall act jointly in respect of any matter concerning the conduct of the liquidation proceedings unless it has been provided that they may act independently. Such a decision shall be registered in the court register.

(2) The provision of paragraph 1 of this Article shall not preclude liquidators from appointing a liquidator from among themselves to perform certain acts or certain types of acts.

(3) The provisions of Article 91, paragraph 2, of this Act shall apply accordingly to the declaration of intent made to the company.

Unlimited authority

Article 119

Restrictions on the authority of liquidators shall have no effect in respect of third parties.

Binding effect on liquidators of decisions taken by those who appointed them

Article 120

Liquidators shall act, irrespective of who has appointed them, in accordance with the decisions on the management of the company's operations that were taken unanimously by the persons referred to in Article 114, paragraphs 2 and 3, of this Act.

Corporate name and signature

Article 121

Besides the corporate name, the liquidators' signatures on the documents must include the indication "u likvidaciji" ("in liquidation").

Financial statements

Article 122

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The liquidators shall prepare financial statements as at the commencement and as at the end of liquidation proceedings.

Return of assets

Article 123

Assets given to the company by company members to be used by the company shall be returned to them. Members may not seek compensation for accidental destruction of, damage to or decrease in the value of such assets.

Distribution of company's assets

Article 124

- (1) The company's assets remaining after fulfilment of all liabilities shall be distributed by the liquidators among company members in proportion to their shares in the company's capital as determined on the basis of the final financial statements.
- (2) During liquidation proceedings, where money is not needed to fulfil the liabilities towards creditors, it may be temporarily distributed. The amounts required to fulfil liabilities that are still not due or are disputed, as well as the amounts appertaining to the company's members in the final distribution shall be retained.
- (3) In case of a dispute between company members as regards the distribution of company assets, liquidators shall adjourn the distribution until the dispute is settled.

Settlement of accounts between company members

Article 125

If the company's assets do not suffice to cover the company's liabilities and refund the shares in the company's capital, the company members shall make up for the deficit in proportion to their obligations to cover company losses. If it is not possible to collect the amount due from a company member, the remaining members shall be liable for the deficit in the said proportion.

Mutual relationships and relationships in respect of third parties

Article 126

Until the liquidation proceedings are completed, the provisions of Chapters 2 and 3 of this Title of the Act shall apply in respect of legal relationships between former company members and legal relationships between the company and third parties, unless the provisions of this Chapter or the purposes of liquidation specify otherwise.

Application for registration of the company's dissolution in the court register.

Book-keeping

Article 127 (OG 40/19, 34/21)

- (1) Upon completion of liquidation, the liquidators shall submit an application to the court for deletion of the company from the court register. Upon its deletion from the court register, the company shall cease to exist.
- (2) The liquidator shall keep the company's books and documentation for the period stipulated in special regulations or shall entrust them with a person providing services of storing business documentation in accordance with the rules governing the handling of archival materials and archives. The company's books and documentation may also be stored in electronic form. With whom and where the company's books and documentation have been stored will be entered into the court register. The compensation for storage and keeping of the company's books and documentation shall be borne by the company before its deletion from the court register, and shall not exceed the justified costs of digitalisation, inventorying and safekeeping and protection in electronic form of company books and documentation.
- (3) The company's members and their heirs have the right to access and use the company's books and documentation. Accessing and copying of the company's stored books and documentation shall be subject to a compensation which may not be higher than the compensation for access and copying of archival materials deposited in the Croatian State Archives.
- (4) If the company's dissolution occurred without liquidation or bankruptcy proceedings, the company members shall comply with the provision of paragraph 2 of this Article.

Application of provisions on liquidation

Article 128

If the company's members agree on a method for the settling of accounts and distribution of the company's assets other than liquidation, the provisions of this Chapter of the Act shall apply accordingly in respect of third parties until such assets have been distributed.

Chapter 6 STATUTE OF LIMITATIONS

Statute of limitations for claims against the company's members

Article 129

- (1) Any claims against a company's member by virtue of their liability for obligations shall expire after five years following the dissolution of the company or withdrawal of the member from the company, unless a shorter statute of limitations applies to claims against the company.
- (2) The statute of limitations shall start running from the first day following the date of registration of the company's dissolution or withdrawal from the company's membership in the court register.
- (3) If a creditor's claim against the company falls due after the registration referred to in paragraph 2 of this Article, the statute of limitations shall start running from the due date.

Cessation of the statute of limitations

Article 130

The cessation of the statute of limitations in respect of a company that has been dissolved shall also be enforceable as against persons who were company members at the moment of the company's dissolution.

TITLE II LIMITED PARTNERSHIP

Chapter 1 GENERAL PROVISIONS

Definition of a limited partnership

Article 131

A limited partnership means a company of two or more persons who have joined in order to permanently engage in an activity under a common corporate name, of which at least one has unlimited joint and several liability for the company's obligations with all their assets (general partner) and at least one is liable for the company's obligations up to the amount of assets contributed into the company (limited partner).

Application of provisions on general partnership

Article 132

Unless otherwise provided for by the provisions of this Title, the provisions of this Act on general partnership shall apply accordingly to limited partnerships.

Chapter 2 FORMATION AND REGISTRATION IN THE COURT REGISTER

Agreement on formation of a company

Article 133

The company shall be formed by virtue of an agreement (memorandum of association). The memorandum of association shall assign to one or more company members the position of general partner(s) and to one or more company members the position of limited partner(s).

Registration in the court register

Article 134

- (1) Besides the data registered in the case of general partnerships, the data relating to the limited partners and their individual contributions shall also be registered in the court register.
- (2) The publication of the company's registration shall include only the number and not the names and contributions of the limited partners.

Chapter 3 LEGAL RELATIONSHIPS BETWEEN MEMBERS

Party autonomy

Article 135

- (1) All relationships between company members shall be governed by the memorandum of association.
- (2) Unless a particular provision provides otherwise, the provisions of this Chapter of the Act shall apply unless otherwise provided by the memorandum of association.

Company management

Article 136

- (1) The company shall be managed by general partners. Limited partners shall not be authorised to manage the company's operations.
- (2) A limited partner may not oppose the decisions or actions of the general partner, with the exception of decisions or actions taken outside the ordinary course of the company's business.

Right to supervision

Article 137

- (1) The limited partner shall be entitled to request copies or photocopies of the company's annual financial statements and to inspect the company books for the purpose of checking their accuracy.
- (2) Where there is just cause, the court shall at any time, upon a motion by a limited partner, order the company to make available to the limited partner, even beyond the scope provided for in paragraph 1 of this Article, the company's financial statements in written form for the purpose of inspection and to provide them with other clarifications and allow them access to company books and other documents.
- (3) A limited partner shall have no special rights pertaining to company members referred to in Article 84 of this Act.

Prohibition of competition

Article 138

The provisions of Articles 76 and 77 of this Act shall not apply to limited partners.

Filing of company reports in the court register

Article 138a

The provisions of Article 86, paragraph 2, of this Act shall apply accordingly to limited partnerships in which no general partner is a natural person.

Share of profits and losses

Article 139

- (1) The provisions of Article 87 of this Act shall also apply to limited partners.
- (2) Annual profit shall be assigned to the limited partner's contribution to the company capital until such contribution reaches the amount that the limited partner undertook to contribute in the memorandum of association.
- (3) In covering the losses incurred by the company's business, a limited partner shall participate only to the amount of their share of the company's capital, including the outstanding portion of the amount that they undertook to contribute in the memorandum of association.

Calculation of the shares of profits and losses

Article 140

- (1) Company members shall participate in profits pursuant to Article 87, paragraphs 1 and 2, of this Act.
- (2) Unless otherwise provided in the memorandum of association, each company member's share of profits exceeding the amount referred to in Article 87, paragraph 1, of this Act, as well as their share of losses, shall be specified as a share ratio corresponding to the specific circumstances.

Payment of profits

Article 141

- (1) The share of profits shall be paid to the limited partner within the period of time specified in the memorandum of association or, in the absence of such a specification in the memorandum of association, as decided on by the general partner.
- (2) Where the general partners decide on the time limit for the payment of profits, the time limit applicable to limited partners shall not exceed 60 days from the date of adoption of the company's financial statements.
- (3) The limited partner shall not be entitled to receive any payment of their share of profits for as long as their contribution to the company's capital is, as a result of their participation in the company's losses, less than the amount they undertook to contribute in the memorandum of association.
- (4) Where the company subsequently reports losses, the limited partner shall not be required to return the share of profits already paid to them.

Chapter 4 LEGAL RELATIONSHIPS BETWEEN THE COMPANY AND ITS MEMBERS AND THIRD PARTIES

Representation

Article 142

- (1) A limited partner shall not be authorised to represent the company.
- (2) By way of derogation from paragraph 1 of this Article, a limited partner may be conferred procuration and a commercial power of attorney where such a decision is taken by all general partners.

Liability of limited partners

Article 143

- (1) A limited partner shall not be liable for the obligations of the company provided that they paid in full the contribution they undertook to make in the memorandum of association.
- (2) Where a limited partner fails to pay in full the contribution they undertook to make in the memorandum of association, they shall have direct joint and several liability together with the other company members to the company's creditors up to the amount of the unpaid contribution.
- (3) The amount of a limited partner's contribution applicable as against the company's creditors shall be the amount registered in the court register unless by the usual means of publication or otherwise the company informs the creditors that the said amount is greater.
- (4) The provision of the agreement entered into by company members releasing a limited partner from their obligation to pay their contribution or deferring the said obligation shall have no effect in respect of the company's creditors.
- (5) The refunding of a limited partner's contribution shall have the same effect as against the company's creditors as if the contribution had not been made. The same shall apply if a limited partner participates in the distribution of profits for the period of time during which their paid-in contribution to the company's capital has been reduced as a result of losses.
- (6) A limited partner shall not be obliged to return the amounts they have received in good faith as their share of the company's profits on the basis of the approved annual financial statements.

(7) In respect of the creditors of a company in which no general partner is a natural person, it shall be deemed that the limited partner has failed to make the contribution to which they have committed themselves by the memorandum of association if the company has shareholdings in general partners. This shall not apply where the general partner is a general partnership or a limited partnership in which the member personally liable for the obligations of the company is a natural person.

Liability of a new company member

Article 144

A person who in their capacity of limited partner becomes a member of a limited partnership shall also be liable under the provisions of Article 143 of this Act for the obligations assumed by the company prior to them joining the company.

Reduction of contributions. Application for registration of a change in contributions in the court register

Article 145

(1) Until registered in the court register, a reduction of a limited partner's contribution shall have no effect in respect of the company's creditors. The reduction shall have no effect in respect of the company's creditors whose claims already existed before the registration of the reduction in the court register.

(2) All company members shall submit to the court an application for registration in the court register of an increase or a reduction in their contributions. The provision of Article 134, paragraph 2, of this Act shall apply to the publication of such registration.

Repayment of loans

Article 146

The provisions of Article 408 of this Act shall apply accordingly to a company in which no general partner is a natural person in such a way that whatever applies to members of a private limited company also applies to personally liable members of limited partnerships and to limited partners. The foregoing shall not apply if the personally liable member of a company is a general partnership or a limited partnership in which the personally liable member is a natural person.

Death or dissolution of a limited partner

Article 147

The death or dissolution of a limited partner that is a legal person shall not result in the dissolution of the company.

TITLE III SILENT PARTNERSHIP

Definition of a silent partnership

Article 148 (OG 40/19, 18/23)

(1) A silent partnership shall be formed by virtue of an agreement by which a person (silent member) invests a certain economic value into another person's undertaking (entrepreneur), on the basis of which investment this person acquires the right to participate in the profits and losses of the entrepreneur.

(2) The contribution of the silent member shall be included as part of the entrepreneur's assets. The contribution of the silent member may consist of money, assets and rights, the value of which shall be expressible in monetary terms.

(3) A silent partnership shall not be a legal person and shall have no corporate name. Neither the name nor the corporate name of the silent member shall be included in the corporate name of the entrepreneur.

(4) The entrepreneur shall act in all legal transactions and shall be the exclusive holder of all rights and obligations resulting from business activities of a silent partnership.

(5) If a notary public participated in the drafting, verification or certification of the agreement referred to in paragraph 1 of this Article, they shall submit, without delay, one copy of the agreement to the competent office of the Ministry of

Finance, Tax Administration, based on the seat of the entrepreneur. If a notary public did not participate in the drafting, verification or certification of the agreement, the entrepreneur shall submit the agreement referred to in paragraph 1 of this Article to the competent office of the Ministry of Finance, Tax Administration, within 15 days from the day of the conclusion of the agreement.

(6) The provisions of Article 68, paragraphs 3, 4 and 6, of this Act shall apply accordingly to the membership in a silent partnership.

Relationship between the undertaking and the silent member

Article 149

- (1) The relationship between the entrepreneur and the silent member shall be specified in an agreement.
- (2) Unless the relationship between the entrepreneur and the silent member of the company is regulated by an agreement and the provisions of this title, it shall be governed by regulations on obligatory relations within the civil law partnership.

Silent member's right to supervision

Article 150

- (1) The silent member shall be entitled to request copies of annual financial statements for the purpose of checking their accuracy, be allowed to inspect the company books and be given the necessary clarifications.
- (2) Where there is just cause, the court shall at any time, upon a motion by the silent member, order the entrepreneur to make available to the silent member the company's financial statements in written form for the purpose of inspection, to provide them with other clarifications and allow them to inspect the company books and other documents.
- (3) The silent member shall have no special rights pertaining to company members pursuant to Article 84 of this Act.
- (4) The rights of the silent member referred to in paragraphs 1 and 2 of this Article can be neither excluded nor restricted by the agreement.

Profits and losses

Article 151

- (1) The silent member's share of profits and losses resulting from the business activities conducted by the entrepreneur's undertaking shall be specified in the agreement.
- (2) Where the silent member's share of profits and losses is not specified in the agreement, the share that shall be deemed to have been agreed shall be the share appropriate to the specific circumstances.
- (3) The silent partnership agreement may exempt the silent member from liability for losses resulting from the business activities conducted by the entrepreneur's undertaking. The agreement may not exclude the right of the silent member to a share of profits.
- (4) Unless otherwise agreed, the silent member shall participate equally in the profits and losses resulting from the business activities of the entrepreneur's undertaking.

Profit and loss statement

Article 152

- (1) Profits and losses of the entrepreneur's undertaking shall be calculated at the end of the financial year, with the silent member receiving their share of profits.
- (2) The silent member shall participate in the losses of the entrepreneur's undertaking only up to the amount of their contribution, i.e. the amount of the contribution they undertook to make in the silent partnership agreement. The share of the silent member shall be reduced by the amount of the losses resulting from the company business.
- (3) In case of losses resulting from the business conducted by the entrepreneur's undertaking, the silent member shall not be required to return previously received profits but shall have their share of profits assigned to their contribution where this contribution was reduced as a result of the loss for as long as the amount that the silent member undertook to contribute to the silent partnership is not reached.

(4) Unless otherwise agreed, the accrued profits that the silent member did not collect shall not increase their contribution above the amount they undertook to contribute in the silent partnership agreement.

Death of a silent member

Article 153

The death of a silent member shall not lead to the dissolution of the company.

Dissolution of silent partnership

Article 154

(1) The grounds for the dissolution of a silent partnership shall be as follows:

1. expiry of the period for which the silent partnership agreement was concluded;
2. accomplishment of the purpose for which the silent partnership agreement was concluded or the accomplishment of this purpose becoming impossible, regardless of whether the agreement was concluded for a definite or an indefinite period of time;
3. death of the entrepreneur or, where the entrepreneur is a legal person, dissolution of the entrepreneur;
4. the entrepreneur ceasing to perform an economic activity;
5. institution of bankruptcy proceedings against the entrepreneur or the silent member.

(2) Unless otherwise provided in the agreement, in cases referred to in paragraph 1 of this Article, the silent partnership shall be terminated by operation of law.

Termination of agreement

Article 155

(1) The provisions of Articles 98, 100 and 101 of this Act shall apply to the termination of the silent partnership agreement.

(2) Where there is just cause to do so, any member of the company may terminate the silent partnership agreement without notice even if the agreement was concluded for a definite period of time. Any provision of the agreement excluding this right of company members shall be null.

Settlement of accounts and wrapping-up of pending transactions

Article 156

(1) In case of dissolution, the entrepreneur and the silent member shall prepare a settlement of accounts, whereupon the entrepreneur shall pay off the silent member their contribution together with profits due but not yet paid.

(2) If the share of a silent member has not been paid in full or has been reduced due to the company losses, the silent member shall be entitled to the profit in the part exceeding the amount of the contribution that the silent member had agreed to pay under the silent partnership agreement.

(3) Unless otherwise provided in the silent partnership agreement, the contribution and share of profits shall be paid to the silent member in money.

(4) Transactions still pending at the time of the company's dissolution shall be wrapped up in accordance with the silent partnership agreement and the provisions of this Title.

Rights of the silent member in case of the entrepreneur's bankruptcy

Article 157

(1) In case of the entrepreneur's bankruptcy, the silent member of the company shall have the status of creditor in bankruptcy in respect of their right to have their contribution returned but only insofar as it exceeds the amount of their share of losses.

(2) The silent partner shall pay into the bankruptcy estate the contribution they undertook to make in the agreement but only the part they have not already paid and up to the amount in which they participate in the losses of the entrepreneur's undertaking.

Article 158

Deleted.

TITLE IV PUBLIC LIMITED COMPANY

Chapter 1 GENERAL PROVISIONS

Definition of a public limited company

Article 159

- (1) A public limited company means a company in which members (shareholders) participate with their shares in the share capital divided into shares.
- (2) A public limited company may also have only one shareholder.
- (3) Shareholders shall not be liable for the obligations of the company.

Founders

Article 160 (OG 18/23)

- (1) Company founders shall be the shareholders that adopt the articles of association. In the case of successive formation, the founders shall also be the shareholders whose contributions are not in money, although they do not take part in the adoption of the articles of association.
- (2) A person convicted by a final judgment of a criminal offence of terrorist financing or money laundering may not be a company founder while the legal consequences of the conviction are still in effect. A person subject to international restrictive measures regarding the disposal of assets may also not be a company founder while the measures are in effect.
- (3) The articles of association of the company must be adopted by at least one person.

Share capital

Article 161 (OG 114/22)

The share capital and shares, with the exception of no-par-value shares, shall be expressed in par value in euro.

Minimum par value of the share capital

Article 162 (OG 114/22)

The minimum amount of the share capital shall be EUR 25,000.00.

Minimum par value of shares

Article 163 (OG 114/22)

- (1) Shares issued by the company may be either par-value shares or no-par-value shares.
- (2) Par-value shares shall have a value of at least EUR 1.00.
- (3) Shares with a par value lower than that referred to in paragraph 2 of this Article shall be null. The issuers of such shares shall be jointly and severally liable to the holders thereof for any damage resulting from the issue.
- (4) The par values of shares exceeding the par value referred to in paragraph 2 of this Article shall be expressed as a whole number.

(5) No-par-value shares shall participate equally in the share capital of the company. The pro rata amount of share capital allocated to one share shall not be below the value referred to in paragraph 2 of this Article. The provisions of paragraph 3 of this Article shall apply accordingly.

(6) The percentage of the share capital shall be determined in the case of par-value shares by the ratio between their par value and the par value of share capital, and in the case of no-par-value shares by the number of shares.

(7) Shares shall not be divisible.

Issue price of shares

Article 164

(1) Shares may not be issued at a price lower than the minimum value of share capital referred to in Article 162 of this Act.

(2) Shares may not be issued at a price lower than the par value or lower than the pro rata share capital allocated to each no-par-value share.

(3) Shares may be issued at a higher price up to the portion of the share capital allocated to them.

Chapter 2 SHARES

Registered shares

Article 165

(1) Shares may be registered shares.

(2) A share shall be a registered share if it is issued prior to full payment of the issue price or if it is issued as a book-entry security. The amount of partial payment shall be indicated on the share certificate, and if the share is issued as a book-entry security, in the securities account of the computer system of the legal person authorised by law in which the share is electronically recorded.

Interim certificates

Article 166

(1) Prior to full payment of shares, shareholders may be issued with share certificates (interim certificates).

(2) Interim certificates shall be in registered form.

(3) The provisions of Article 163 of this Act shall apply to interim certificates.

Ordinary and preferred shares

Article 167

(1) Depending on the rights they confer, shares may be ordinary or preferred.

(2) Ordinary shares shall be shares conferring upon the holder the following rights:

1. voting right at the general meeting;
2. right to the payment of a portion of the company's profits (dividend);
3. right to the payment of a portion of the remainder of the company's liquidation or bankruptcy estate.

(3) Preferred shares means shares conferring on their holders certain preferential rights, e.g. the right to a dividend expressed as a predetermined monetary amount or as a percentage of the par value of the share, right of pre-emption to dividend payment and payment of the remainder of the liquidation or bankruptcy estate, and other rights pursuant to law and the company's articles of association.

(4) A preferred share may be cumulative or participating.

(5) A cumulative preferred share shall confer on its holder, in accordance with the resolution on share issue, the right to receive accumulated unpaid dividends before any dividends are paid to holders of ordinary shares.

(6) A participating preferred share shall confer on its holder, in accordance with the resolution on share issue, the right to receive both a set dividend and a dividend belonging to holders of ordinary shares.

Classes of shares

Article 168

Shares conferring identical rights shall constitute one class of shares.

Voting rights

Article 169

- (1) Each share shall confer a right to vote at the meeting.
- (2) Only preferred shares may be issued without voting rights. Such shares may be issued only up to one half of the company's share capital.
- (3) It shall be prohibited to issue shares conferring different voting rights at the meeting for equal share capital value.

Share constituents

Article 170

- (1) A share not issued in book-entry form shall consist of the following:
 1. indication that it is a share, and its par value if the company issues shares with par value;
 2. indication of the class of share;
 3. corporate name and seat of the share issuer;
 4. corporate name or full name of the person with whom the share is registered;
 5. date of issue and number of share;
 6. facsimile signatures of persons authorised by the issuer under the articles of association.
- (2) Shares issued in book-entry form shall contain neither the number nor the constituent referred to in item 6 of paragraph 1 of this Article.

Parts of share certificate

Article 171

- (1) A share certificate shall consist of three parts.
- (2) The first part, the share cover, shall contain all the data referred to in paragraph 1 of the previous Article of this Act.
- (3) The second part of the share certificate shall be a coupon-warrant for the payment of dividends. Each coupon-warrant shall include the following:
 1. ordinal number of the coupon-warrant;
 2. number of the share to which the coupon-warrant refers and on the basis of which dividends are paid out;
 3. corporate name of the share issuer;
 4. facsimile signatures of persons authorised by the issuer under the articles of association.
- (4) The third part of the share shall be the allonge by virtue of which the shareholder exercises their right to receive new coupon-warrants if all coupons for the payment of dividends have been used up. The allonge must indicate the number of the share to which it refers.

Resolution on issuing shares

Article 172

- (1) The resolution on the share issue shall be passed by the general meeting or the company's founders in accordance with the articles of association.
- (2) The resolution on the share issue shall establish the following:
 1. the corporate name of the issuer;
 2. the aggregate amount for which shares will be issued and the number of shares;
 3. the par value of shares if par-value shares are issued;

4. indication that the shares in question are registered shares;
 5. whether the shares will be issued in the form of share certificates or as book-entry securities;
 6. the time of share subscription;
 7. the method of share subscription;
 8. with whom, when and how the shares shall be paid for;
 9. the period for reimbursement of paid-in amounts if shares are not issued;
 10. the class of shares;
 11. the order in which rights of pre-emption conferred by preferred shares are to be exercised if several series of such shares are issued.
- (3) Under the conditions prescribed by a special act, the company's articles of association may specify whether the company shall issue share certificates or shares in book-entry form.

Chapter 3 FORMATION

Section 1 Articles of association

Adoption of articles of association

Article 173

- (1) Statements of the founders on the adoption of the articles of association shall be given in the form of a notarial deed. Proxy holders shall require a power of attorney certified by a notary public.
- (2) The deed referred to in paragraph 1 of this Article shall specify:
1. the names of the founders and their domiciles;
 2. the par value of par-value shares, if the company issues such shares, otherwise the number of shares, the issue price and, if more than one class of shares exists, the class of shares acquired by each founder;
 3. the paid-in amount of the share capital;
 4. the statement of the founders on their acceptance of the articles of association.
- (3) The company's articles of association shall determine:
1. the company's corporate name and seat;
 2. the objects of the company;
 3. the amount of the share capital;
 4. the segmentation of the share capital either in par-value shares or in no-par-value shares; the par value of par-value shares and the number of shares of each par value; the number of no-par-value shares and, if more than one class of shares exists, the classes of shares and the number of shares in each class;
 5. that shares are issued in registered form;
 6. whether the company has a management board and a supervisory board or a board of directors, and depending on this, the number of members of the management board and the supervisory board or the board of directors, and the number of executive directors;
 7. the manner and form of company announcements;
 8. term of duration and dissolution of the company.
- (4) The articles of association may contain provisions that are different from the provisions of this Act only if this Act explicitly so permits. Unless explicitly prohibited by this Act, the articles of association may regulate other issues besides those set forth in paragraph 3 of this Article. The provisions of the articles of association adopted in violation of the said limitations shall be null.

Publication of company data and announcements

Article 174 (OG 110/15)

- (1) Whenever provisions of law or the articles of association provide that company data and announcements shall be made public, they shall be published on the relevant court register website.
- (2) The articles of association may also provide for the publication of company data and announcements in other publications accessible to the public, including via electronic information media.

Special advantages and formation costs

Article 175

- (1) Any special advantage granted to a particular shareholder or a third party shall be stipulated in the articles of association and the beneficiary shall be identified.
- (2) The costs and remuneration related to the formation that the company shall pay to shareholders or third parties shall be separately stipulated in the articles of association.
- (3) Where the company's articles of association do not provide for special advantages, and costs and remuneration falling under paragraphs 1 and 2 of this Article, any relevant agreements and any transaction in execution thereof shall have no effect in respect of the company. Amendments to the articles of association once the company has been registered in the court register shall not allow such agreements and transactions to cause effects to the company.
- (4) Such stipulations concerning special advantages, costs and remuneration may only be amended after the company has been registered in the court register for five years.

Contributions of things and rights. Acquisition of things and rights

Article 176

- (1) If shareholders make contributions other than by monetary payments of the par value of the shares or the higher value for which the shares are to be issued (contributions of assets and rights) or if the company acquires existing or future things or property rights (acquisition of things and rights), the articles of association shall stipulate the thing or property right contributed or acquired, the person from whom the company is to acquire such thing or right, and the total share value and their individual par values, or the number of no-par-value shares, to be issued for the contribution or the consideration to be granted for the acquisition of things or rights. If the company is required to acquire a thing or property right for which a consideration is to be granted which is to be applied towards the shareholder's contribution, such acquisition shall be deemed a contribution of a thing or right.
- (2) Contributions or acquisitions of things or property rights may only comprise things or property rights that have an ascertainable economic value. Obligations to provide services may not be made the object of contributions or acquisition of things or rights.
- (3) Any agreement regarding the contribution or acquisition of things or rights and any legal transaction in execution thereof shall have no effect in respect of the company unless the company's articles of association provide for them within the meaning of paragraph 1 of this Article. If the company is registered in the court register, the agreements and transactions that have no effect in respect of the company shall not affect the validity of the articles of association. If the agreement regarding the contribution of a thing or right is invalid, the shareholder shall be required to pay in money the par value of the share or the higher value for which the share is to be issued.
- (4) After the company is registered in the court register, no amendment to the articles of association may reverse the nullity of the agreement or of the legal transactions referred to in paragraph 3 of this Article.
- (5) The provisions of Article 175, paragraph 4, of this Act shall apply to any amendment to the articles of association concerning the contribution or acquisition of things or rights.

Section 2 Simultaneous company formation

Definitions

Article 177

- (1) The company shall be formed by the founders acquiring all company shares, adopting and signing the articles or association and stating that they are forming a public limited company.
- (2) A company shall be formed upon its registration in the court register.

Acquisition of shares

Article 178

- (1) Founders shall acquire shares by giving a statement with a notary public that they are forming a company and undertaking to pay for the shares.
- (2) The statement made by each founder referred to in paragraph 1 of this Article shall specify the par value of shares the founder is acquiring, and where they are acquiring no-par-value shares, only their number, the amount for which they are issued, class of shares where several classes of shares are issued, and when and how they will be paid for.

Share subscription

Article 179

- (1) Shares shall be paid for in money or by way of contribution of things or rights.
- (2) Shares shall be paid in money, by means of payment prescribed by law, into the public limited company's account maintained with a credit institution in the Republic of Croatia.
- (3) Before the company's registration in the court register, if contributions are paid in money, at least one quarter of the lowest amount for which the share in question may be issued shall be paid, irrespective of whether the share is in book-entry form or whether a share certificate is to be issued for it, and if a share is issued for a higher amount than that amount of share, the entire amount in excess of that amount shall also be paid.
- (4) If a share is paid for partly in money and partly by way of contribution of things or rights, the part not paid for by way of contribution of things or rights shall also be paid in full before the company's registration in the court register.
- (5) The contribution of things and rights shall be made in full before the company is registered in the court register. If the contribution of things and rights consists in undertaking an obligation to transfer a certain thing to the company, this performance shall be fulfilled within five years from the company's registration in the court register. On the thing and right which are contributed, the right of retention may not be exercised in respect of a claim which does not relate to the subject of the contribution. This shall accordingly apply to contributions in money. The value of things or rights contributed must correspond to the amount for which the share is issued.

Appointment of company bodies

Article 180

- (1) In a document certified by a notary public the founders shall appoint the first supervisory board or the board of directors of the company and the auditor for the first full or partial financial year.
- (2) Provisions governing the appointment of members of the supervisory board by employees shall not apply to the composition and appointment of this board.
- (3) Members of the first supervisory board may not be appointed beyond the company's first general meeting evaluating their performance during the first full or partial financial year of their appointment.
- (4) The supervisory board shall appoint the first management board or executive directors.

Formation report

Article 181

- (1) The founders shall render a written report on the company's formation.
- (2) The formation report shall set forth the material facts in connection with the adequacy of contributions and acquisitions of things or rights. The following shall be stated:
 1. any legal transactions entered into with a view to such contribution of items or rights;
 2. the costs of acquisition or production during the preceding two years for goods contributed;

3. in case of the transfer of an enterprise to the company, the earnings for the last two financial years as specified in the company's annual financial statements;
4. whether and to what extent shares have been acquired in the name of a member of the management or supervisory board or an executive director or a member of the board of directors;
5. whether and in which manner a member of the management or supervisory board or an executive director or a member of the board of directors has obtained any special advantage or any compensation or remuneration for preparing the formation.

Formation audit

Article 182

- (1) The members of the management board and the supervisory board or executive directors and members of the board of directors shall audit the carried-out formation of the company.
- (2) In addition, an audit by one or more auditors (formation auditors) shall be performed if:
 1. some member of the management board or the supervisory board or an executive director or a member of the board of directors is also one of the founders of the company;
 2. shares have been acquired at formation for the account of some member of the management board or the supervisory board or an executive director or a member of the board of directors;
 3. some member of the management board or the supervisory board or an executive director or a member of the board of directors has obtained a special advantage at formation or has obtained compensation or remuneration for the formation or preparation of formation;
 4. the formation was with contributions or acquisitions of things or rights, in which case the findings of an independent permanent court appraiser of the relevant profession shall be used to assess the value of the things or rights.
- (3) Formation auditors shall be appointed by the court.
- (4) Conditions for the appointment of formation auditors shall be set by special regulation.

Scope of formation audit

Article 183

- (1) The audit performed by the members of the management board and the supervisory board or the executive directors and the members of the board of directors, as well as the audit performed by the formation auditors, relates to:
 1. whether the data by the founders concerning the acquisition of shares, the contributions to the share capital and the stipulations from Articles 175 and 176 of this Act are accurate and complete;
 2. whether the value of the contributions and acquisitions of things and rights corresponds to the value of the share capital allocated to the shares to be granted therefor or to the value of performance which must be fulfilled therefor.
- (2) In respect of the performed audit, a written report specifying the circumstances referred to in the previous paragraph of this Article shall be made. Such report shall describe the object of each contribution of thing or right or acquisition of thing or right and shall set out the valuation methods applied in ascertaining their value. This data, as well as data from paragraph 1, item 2, of this Article, are not required for the audit report in case of formation of company by way of contribution or acquisition of things or rights when the formation audit is not required.
- (3) The report referred to in the previous paragraph of this Article shall be submitted to the court and the company's management board. Everybody can inspect the submitted report at the court.

Disagreement between founders and formation auditors

Article 184

- (1) The formation auditors may require the founders to provide them with explanations and evidence necessary for the performance of the audit.

(2) The court of registration shall decide on disagreement between the founders and the formation auditors regarding the scope of explanations and evidence to be provided by the founders. Such decision of the court cannot be challenged. If the founders do not comply with the court decision, the formation auditors shall not submit a report.

Remuneration and costs of formation auditors

Article 185

(1) The formation auditors shall be entitled to reimbursement of costs and payment of an appropriate remuneration for their services. The reimbursement of costs and remuneration for auditors' services shall be set by the court of registration.

(2) The reimbursement of costs and remuneration for auditors' services shall be borne by the company.

Company formation by contributions or acquisition of things or rights without a formation audit

Article 185a

(1) The company may be formed by contribution or acquisition of things or rights without performing a formation audit when the contributions consist of:

1. securities or money-market instruments if their value is set as weighted average price at which they are traded on one or more regulated market(s) within the three months prior to their actual contribution to the company;
2. other things and rights if they have been subject to a valuation by an independent permanent court appraiser of the appropriate profession in accordance with generally accepted valuation principles, and accompanied by a valuation report stating the valuation date which is not more than six months before the date of the actual contribution of the things or right into the company.

(2) Paragraph 1 of this Article shall not apply if the weighted average price of the securities or money-market instruments was substantially influenced by extraordinary circumstances or if the value of a thing or right on the date of its actual contribution, as specified in the valuation report, is considerably lower than the one determined by the appraiser due to new circumstances which have become known later.

Application for the company's registration in the court register

Article 186

All members of the management board and the supervisory board or all executive directors and all members of the board of directors shall submit the application for the company's registration in the court register.

Contents of the application

Article 187 (OG 40/19)

(1) The application for the registration in the court register must state the following:

1. the corporate name, seat, address of the company in the Republic of Croatia and the activities referred to in Article 34, paragraph 3, of this Act, if they form the company's objects;
2. the amount for which shares have been issued;
3. the total amount paid in for the shares issued and the form in which they have been paid;
4. statement by the members of the management board or the executive directors that they have been acquainted with the obligation of reporting to the court and that there are no circumstances that would be contrary to the provision of Article 239, paragraph 2, of this Act;
5. members of the management board and the supervisory board or the executive directors and the members of the board of directors of the company and their domicile and personal identification numbers;
6. if the company has one shareholder, for a natural person, name and surname, personal identification number and domicile, for a foreigner, the number and designation of the personal ID document and the state that issued it, for a legal person, the corporate name or the entity's name and registration number or if the legal person is foreign, the corresponding data.

(2) The following shall be attached to the application referred to in the previous paragraph of this Article:

1. the company's articles of association, the documents on the basis of which the articles of association have been adopted, and documents on the basis of which the founders acquired the shares;
2. if a special advantage is granted at formation or if a thing or right is contributed or acquired, the contracts stipulating and implementing so;
3. proof of amount paid, contribution of things and rights, and of the company's right to dispose of them freely (proof of amount paid shall be provided by the authorised credit institution);
4. calculation of formation costs that itemizes individual elements and totality of costs;
5. the documents relating to the appointment of the management board and the supervisory board or the executive directors and the members of the board of directors;
6. the formation reports and the formation audit reports together with underlying documentation;
7. where the provision on the company's objects or some other provision of the company's articles of association required the consent, permission or other act of a government body or some institution, the act of this body or institution.

(3) The list of activities that are the established company's objects shall be submitted to the court of registration together with the application for the registration in the court register.

(4) Attached documents shall be kept at the court in their original form, or in a certified transcript or copy or in another form prescribed by law.

Contents of the application when the company is formed by way of contribution or acquisition of things or rights without the formation audit

Article 187a

(1) If a company is being formed by way of contribution or acquisition of things or rights without the formation audit, the application for the company's registration in the court register shall also state that the company is to be formed by way of contribution or acquisition of things and rights without the formation audit. The application shall describe the object of each contribution or acquisition. The application shall contain a statement that the value of the things and rights contributed or acquired correspond to the lowest amount for which the shares given thereof are to be issued or the value of what is given thereof. The value of things and rights, the person who made the valuation, and the valuation method applied shall be stated.

(2) The persons submitting the application shall state in it that they were not aware, nor are they now aware, of extraordinary circumstances which might have influenced the amount of weighted average price of the securities or money-market instruments during the last three months preceding the day of their actual contribution to the company, or circumstances indicating that the value of the things or rights was, on the day of their contribution to the company, due to new circumstances or circumstances discovered later on, considerably lower than the value determined by the independent permanent court appraiser of the relevant profession.

(3) The following shall be attached to the application:

1. documentation proving how the weighted average price, of the securities or money-market instruments contributed to the company for the last three months they have been traded on a regulated market before the day of their actual contribution to the company, was determined;
2. valuation report determining the value of the things or rights contributed to the company.

Examination of the application

Article 188

(1) The court shall be required to examine whether the company has been duly formed and whether the application contains content prescribed by law and whether it is accompanied by prescribed documents.

(2) The court shall deny registration of the company in the court register if the formation auditors state, or if it is manifest, that the formation report or the formation audit report submitted by the members of the management board

and the supervisory board or the executive directors and the members of the board of directors is inaccurate, incomplete or does not comply with statutory provisions. The foregoing shall also apply if the formation auditors state, or if the court is of the opinion, that the value of the object of the things or rights contributed or acquired is substantially less than the amount of the share capital allocated to the shares to be issued for that or the value of the counter performance.

(3) If the application states that the company is being formed by way of contribution or acquisition of things and rights without the formation audit, the court shall, with regard to the value of the things or rights, examine exclusively whether the requirements referred to in Article 187a of this Act have been met. The court may deny registration only if it is obvious that the value of things or rights is considerably overvalued.

(4) The court shall deny registration in the court register where the articles of association:

1. do not contain provisions pursuant to Article 173, paragraph 3, of this Act and any other act which prescribes their obligatory content;
2. contain provisions that violate regulations that exclusively or predominantly serve to protect the company's creditors or are otherwise enacted in the public interest;
3. contain provisions that make it null.

Contents of the registration

Article 189 (OG 40/19)

Following shall be entered into the court register:

1. the company's corporate name;
2. the company's seat;
3. the activities referred to in Article 34, paragraph 3, of this Act, if they form the company's objects;
4. the amount of the share capital or authorised capital;
5. the date of adoption of the articles of association;
6. the names and surnames of the members of the management board, the chairperson and the members of the supervisory board or the executive directors and the members of the board of directors and their personal identification numbers and domicile;
7. the duration of the company;
8. the authorities of the members of the management board to represent the company;
9. the data referred to in Article 187, paragraph 1, item 6, of this Act if the company was formed by a sole founder;
10. other data prescribed by a special act.

Company with one shareholder

Article 189a

(1) If, after the company's formation, one shareholder acquires all the company's shares or if the company holds the shares alongside that shareholder, the data referred to in Article 189, item 9, of this Act shall be registered in the court register.

(2) If thereafter shares are acquired by another shareholder, except where such acquisition is, under this Act, deemed to be acquisition of the company's own shares, the previous sole shareholder shall be deleted from the court register.

Article 190 (OG 40/19)

Deleted.

Liability of founders

Article 191

(1) The founders shall be jointly and severally liable to the company for damage caused to the company as a result of inaccurate or incomplete information provided by them in connection with the company's formation. They shall also be liable for the fact that the company's management board or executive directors may freely dispose with the amounts

paid for the company's shares. Without prejudice to their obligation to compensate other damages, the founders shall pay to the company the amounts that are not paid and reimburse the company for any costs that were not accepted as formation costs.

(2) If the founders intentionally or by gross negligence cause damage to the company through contribution of things or rights, acquisition of things or rights, or formation costs, they shall be jointly and severally liable to the company for caused damages.

(3) A founder shall not be liable for damages if they did not know of the facts giving rise to liability, nor should have known them by exercising due care of a prudent businessman.

(4) If a company shall suffer damage as a result of a shareholder being insolvent or unable to contribute the thing or right, those founders who accepted the participation of a shareholder knowing of their insolvency or inability to fulfil assumed obligation, shall be jointly and severally liable to the company for damages.

(5) Persons for whose account the founders have acquired shares shall be liable with the founders and in the same manner. These persons may not invoke the fact that they were unaware of circumstances that the founders, acting for their account, knew or should have known.

(6) The company may waive a claim for damages or conclude a settlement regarding such claim only after the expiry of three years after the claim has arisen, but only if the general meeting consents thereto and if no objection is raised by the minority holding the shares that represent at least one tenth of the company's share capital and such objection is recorded in the minutes of the general meeting. This time limitation shall not apply if the person liable for damages is insolvent and concludes a settlement with their creditors in order to avoid bankruptcy proceedings.

Liability of other persons

Article 192

In addition to the founders and the persons for whose account they have acquired the shares, the following persons shall be jointly and severally liable to the company for damages:

1. whoever, upon receiving a payment which, contrary to regulations was not accepted as formation costs, knew or under the circumstances should have known that it relates to an intended concealment or who knowingly participated in the concealment;
2. whoever knowingly participated in causing damage to the company intentionally or by gross negligence by means of contribution or acquisition of things and rights;
3. whoever, prior to registration of the company in the court register or within two years from the date of the registration publicly announces that the shares will be placed on the market, if they knew or, by exercising due care of a prudent businessman, should have known about the inaccuracy or incompleteness of data given for the purposes of company's formation or for damage caused to the company through contributions or acquisitions of things and rights.

Liability of the members of the management board and the supervisory board or the executive directors and the members of the board of directors

Article 193

Members of the management board and of the supervisory board or the executive directors and members of the board of directors shall be jointly and severally liable to the company for damage caused to it by violating their obligations during the formation of the company. The provisions of Article 191, paragraph 6, of this Act shall apply accordingly.

Prohibition to issue shares

Article 194

The rights of participation in the company may not be transferred, nor may shares or interim certificates be issued, prior to the company's registration in the court register. Shares and interim certificates issued prior to that court register shall be null. The issuers of such shares and interim certificates shall be jointly and severally liable to their holders for damage caused to them by their issuance.

Continuation of company's formation

Article 194a

(1) Contracts which the company, within the first two years after its entry in the court register, concludes with the founders or with shareholders whose shares represent more than one tenth of the company's share capital, by which the company acquires things and rights for a value equal to or exceeding one tenth of that capital, shall be valid if approved by the general meeting and when they are entered in the court register. Legal actions taken by the company in fulfilment of such contracts shall have no legal effect until the general meeting approves the contract and until it is entered in the court register.

(2) A contract from paragraph 1 of this Article shall be concluded in writing unless the law prescribes that it shall be concluded in the form of a notarial deed. The company shall enable each shareholder to inspect such a contract at the business premises at company's seat and shall, upon their request, without delay provide a copy of it free of charge, unless the contract is, from the convening of the general meeting until its conclusion, made available on the company's website.

(3) Prior to the general meeting resolving on whether to grant approval to such a contract, the management board or the executive directors shall state the reasons for concluding a contract, explain its provisions, submit to the shareholders a written report on the said contract and state in it the purposes for acquiring the thing or right. The provisions of Article 181, paragraph 2, of this Act shall apply accordingly to such report. Prior to the passing of such resolution, an audit report by the formation auditors, who examined the contract and the thing or right to be acquired thereunder, must be submitted, unless under the condition from Article 185a of this Act the formation audit is not required. The provisions of Articles 182, 183, and 184 of this Act shall apply accordingly thereto.

(4) The resolution approving the contract shall be valid if it is voted for by members of the general meeting representing at least three quarters of the share capital represented at the general meeting on the day the resolution is made, and if the resolution is made within the first year from the date of the company's registration in the court register, by at least three quarters of the total share capital of the company. The articles of association may provide for a larger majority and impose the fulfilment of special conditions. A certified copy of the contract shall be attached to and constitute an integral part of the minutes.

(5) Upon approval of the contract by the general meeting, the management board or the executive directors, and the chairperson of the supervisory board or the board of directors, shall submit an application for the its registration in the court register. The following shall be enclosed with the application:

1. the original contract or a copy of the contract certified by a notary public;
2. a copy of the minutes of the general meeting drawn up and signed by a notary public; and
3. the report referred to in paragraph 3 of this Article and where under the provisions of Article 185a of this Act no formation audit is required, the documents referred to in Article 187a, paragraph 3, of this Act.

(6) Apart from the reasons for which it may otherwise deny entry in the court register, the court may deny registration of the contract in the court register if the formation auditor declares, or if it is evident, that the report of the management board or the executive directors is incomplete, contains incorrect data or is contrary to regulations, or that an inappropriately high amount has been agreed for the thing or right to be acquired. If the application contains the declaration that the company is being formed by way of contribution or acquisition of things and rights without the formation audit, the provisions of Article 188, paragraph 3, of this Act shall apply accordingly.

(7) The following information shall be entered in the court register:

1. the date when the contract was concluded and the date of the holding of the general meeting which approved it;
2. the thing or right to be acquired under the contract; and
3. the compensation given for it.

(8) The publication of registration shall specify the date when the contract was concluded and the date of approval by the general meeting, the thing or right acquired under the contract, the person from which the company acquired it, and the compensation given therefor.

(9) The provisions of paragraphs 1 to 8 of this Article shall not apply to contracts by which things or rights are acquired in the course of the company's ordinary business operations, in enforcement proceedings, or on a regulated market.

Section 3 Successive formation of a company

Definitions

Article 195

(1) The company may be formed in such a way that the founders adopt the articles of association, acquire a portion of the shares, and issue a public invitation for the subscription of shares (prospectus) and the shares are subscribed on the basis of that invitation.

(2) A company shall be formed upon its registration in the court register.

Public invitation for subscription of shares

Article 196 (OG 18/23)

(1) Public invitation for subscription of shares (prospectus) shall contain:

1. the corporate name, seat and objects of the company being formed;
2. the amount of the company's share capital;
3. the number and, if shares of different classes are being issued, the classes of shares offered for subscription, their par-value if shares with par-value are issued, otherwise their number and the amount for which they are issued, as well as the number and class of shares acquired without the public invitation for subscription of shares;
4. the date of adoption of the articles of association;
5. the founders' name and surname or corporate name, domicile or seat, and for natural persons, their personal identification number;
6. the location where the shares are to be subscribed, with a note that the articles of association, the formation report and the audit report may be inspected there;
7. the time of beginning and end of the subscription period;
8. the date on which the obligation of the subscriber ceases if the company has not applied for registration in the court register by that date;
9. the amount to be paid for subscribed shares before the company's registration in the court register and the consequences of failing to do so in due time;
10. information on special advantages, contributions of things and rights, acquisition of rights, formation costs, special payments and remunerations;
11. the manner of convening the founding meeting;
12. the maximum amount of formation costs which are to be borne by the company;
13. a note stating that no person convicted by a final judgment of a criminal offence of terrorist financing or money laundering while the legal consequences of the conviction are still in effect, and no person subject to international restrictive measures regarding the disposal of assets while the measures are in effect shall be allowed to subscribe shares.

(2) Public invitation which does not contain all the data specified in paragraph 1 of this Article or which restricts the obligation of the subscriber, other than the restriction pursuant to paragraph 1, item 8, of this Article, shall be null. A subscriber may not claim that their subscription is non-binding or null, if the company has been registered in the court register and the subscriber has voted at the founders' meeting or has subsequently, as a shareholder, exercised a right in the company or fulfilled an obligation towards a company. Restriction not contained in the public invitation for subscription of shares shall have no effect against the company.

Subscription and payment of shares

Article 197

- (1) Shares shall be subscribed and paid using means of payment and with a credit institution, and in a manner provided by in Article 179 of this Act.
- (2) The provisions of Articles 181 to 185 of this Act shall apply accordingly to the formation report and the formation audit.
- (3) The articles of association, the formation report, and the audit report shall be made available for inspection to any interested party by the credit institution carrying out the share subscription.

Subscription form

Article 198

- (1) The subscriber must sign three copies of a statement on the subscription of shares (subscription form). One copy of the subscription form shall be given to the subscriber, and two are intended for the company's needs. Where a share is to be subscribed through proxy holder, power of attorney shall be attached to the subscription forms remaining with the company.
- (2) The subscription form shall contain:
 1. the number and class of subscribed shares, their par-value if shares with par-value are issued, otherwise their number and the amount for which they are subscribed;
 2. the statement by the subscriber undertaking an obligation to pay for the shares under the terms specified in the public invitation for subscription of shares;
 3. the amount of money to be paid by the subscriber upon subscription of shares;
 4. the statement by the subscriber that they are acquainted with the articles of association, the formation report and the audit report and that they consent to the company's articles of association and the company's formation;
 5. name and surname or corporate name of the subscriber, or the name and surname of their proxy holder, their domicile or seat and for a natural person, their personal identification number, and their signature;
 6. the signature of the authorised person at the credit institution where the shares are subscribed and payment made, and payment confirmation.
- (3) The subscription form which does not contain all the data referred to in the previous paragraph of this Article or that unlawfully restricts the obligation of the subscriber shall be null.

Unsuccessful subscription

Article 199

- (1) The period for subscription of shares may not exceed three months from the date designated as the start of the subscription period.
- (2) If all shares have not been subscribed and paid as provided for in the prospectus within the period referred to in the previous paragraph of this Article, the founders may, within 15 days after the expiry of that period, themselves subscribe or acquire unsubscribed shares.
- (3) If the founders do not, within the period referred to in the preceding paragraph, acquire or subscribe and pay for the offered shares in accordance with the prospectus, it shall be deemed that the formation has been unsuccessful, and the founders must, within the next 15 days, by a new announcement invite subscribers to collect the amounts paid.
- (4) The persons who have made a contribution in things or rights or acquired shares without subscribing them on the basis of the prospectus shall be notified that they must collect whatever they have paid in or contributed to the company whose formation failed.

Untimely payments

Article 200

Please note that the translation provided below is only a provisional translation and therefore does NOT represent an official document of Republic of Croatia. It confers no rights and imposes no obligations separate from those conferred or imposed by the legislation formally adopted and published in the Croatian language and published in the Official Gazette of the Republic of Croatia.

(1) When any of the payments due before the company's registration in the court register are not performed on time, the founders may declare the acquisition or subscription of shares invalid and may acquire the shares themselves or the shares may be acquired by a third party.

(2) Payments made by prior subscribers or persons who acquired the shares shall belong to the company.

Allocation of subscribed shares

Article 201 (OG 18/23)

(1) If the subscription of shares is successful, the founders shall allocate shares among subscribers within 15 days after the expiry of the period for the subscription of shares as specified in the prospectus. They must not allocate them to those subscribers whom any of the founders knows to be insolvent.

(2) Shares shall not be allocated to persons not eligible to be company founders of the company under the provision of Article 160, paragraph 2, of this Act. For that, the relevant is the status in the records from Article 68, paragraph 5, of this Act. Founders shall request the ministry competent for judicial matters to notify them of whether a share subscriber is listed in the records. Requested notification shall be delivered to the founders within five days from when the request was made. If founders do not receive notification within that period, it shall be deemed that the subscribers are not listed in the records and that there is therefore no obstacle for the shares to be allocated to subscribers.

(3) In the case referred to in Article 199, paragraph 2, of this Act, shares shall be allocated within one month after the expiry of the period for the subscription of shares as specified in the prospectus.

(4) Every share subscriber shall have the right, at the credit institution that carried out the subscription, to inspect the list indicating how many shares and of which class were subscribed and how many were allocated to each subscriber. The list shall include an instruction to subscribers to whom no shares were allocated or who were not allocated all the shares they subscribed for to collect the amounts overpaid.

Disposal of payments

Article 202

After the company is registered in the court register, the management board or the executive directors may dispose of the payments for shares. No special fees, refunds of payments, or rewards may be paid from the company's share capital. The founders cannot dispose of the payments for shares.

Convening of the founders' meeting

Article 203

(1) The founders' meeting shall be held no later than two months after the expiry of the period for the subscription of shares as specified in the prospectus. The company's founders shall convene the founders' meeting by an announcement published in the same manner as the prospectus, ensuring that at least 15 days shall elapse between the last publication of an announcement and the meeting.

(2) Within the period referred to in the preceding paragraph, the subscribers that were allocated shares shall be allowed, at the credit institution where they subscribed them and at another location designated by the founders, to examine the articles of association, the founders' report and the audit report, subscription forms, founders' report on formation costs, share allocation list, and the list of persons who acquired shares without having subscribed them on the basis of the prospectus, together with the number of shares per each class of shares acquired by each such person.

(3) Where there is just cause and at the request of the founders, the court may extend the time limit for holding the general meeting by one month.

(4) Absent any special provision on the founders' meeting, the provisions of this Act pertaining to the general meeting of the company shall apply to the founders' meeting.

Consequences of failing to hold the founders' meeting

Article 204

(1) Where the founders' meeting is not held within the prescribed time, the formation shall be deemed unsuccessful.

(2) Within 15 days from the expiry of the period for the holding of the founders' meeting, the founders shall, by an announcement published in the same manner as the first prospectus, invite the subscribers of shares to collect their payments.

(3) If the founders do not act in compliance with the provisions of paragraph 2 of this Article, the announcement shall at the request of any share subscriber be published by the court at the founders' expense.

Capacity of the meeting to pass resolutions

Article 205

(1) The founders' meeting shall be held at the company's seat, unless another location was specified in the prospectus.

(2) The majority of all shares shall be represented at the founders' meeting and if shares are issued in more classes, then a majority of shares of each class shall also be represented.

(3) The founders' meeting shall be opened by a notary public who shall be invited to the meeting by the founders. The notary public shall draw up a list of the attending share subscribers and persons who acquired shares, or their representatives, and shall establish whether the requirements for holding the meeting referred to in the previous paragraph of this Article have been met.

(4) Where the founders' meeting lacks the capacity to pass resolutions because the requirements referred to in paragraph 2 of this Article have not been met and the deadline for holding the meeting has not been extended in accordance with Article 203, paragraph 3, of this Act, the founders may, in the same manner as for the meeting that lacked the capacity to pass resolutions, reconvene the meeting within 15 days provided that no fewer than eight and no more than fifteen days have elapsed from the convening of the meeting and the date of its holding.

(5) If the founders do not reconvene the meeting or convene it but it lacks the capacity to pass resolutions, the formation shall be deemed unsuccessful.

Course of the founders' meeting

Article 206

(1) Upon having been opened, the meeting shall elect its chairperson and two vote counters. Thereupon, the formation report and the audit report shall be read. Annexes thereto shall be read only if shareholders representing at least ten percent (10%) of all votes of the shareholders present or represented at the meeting request so.

(2) The minutes of the meeting shall be taken by the notary public. The minutes shall be signed by the notary public, the chairperson of the meeting, the vote counters and the company's founders.

Competence of the founders' meeting

Article 207

The founders' meeting shall:

1. determine whether all shares have been subscribed to or acquired and allocated, whether all contributions that under this Act and the articles of association had to be made by the time the founders' meeting is held have been made and whether the company will be able to freely dispose of contributions after its registration in the court register;
2. determine the amount of formation costs to be borne by the company;
3. elect such company bodies as elected by the general meeting under law and the articles of association.

Voting at the founders' meeting

Article 208

(1) Each share shall confer one vote at the founders' meeting.

(2) Voting on determinations pursuant to paragraph 1, item 1, of the previous Article of this Act relating to contributions of things and rights shall be done separately for each contribution of a thing or right. The founders and the subscribers of shares or person which acquired shares on the basis of contributions of things or rights shall not be entitled to vote. The founders shall not be entitled to vote on the determination referred to in paragraph 1, item 2, of the previous Article of this Act.

(3) Decisions at the founders' meeting shall be passed by the majority of the votes conferred by shares represented at the meeting that are not excluded from voting.

(4) The provisions of the articles of association referred to in Article 173, paragraph 3, of this Act shall be amended only with the consent of all the persons who subscribed or acquired shares. Other provisions of the articles of association shall be amended provided persons who subscribed to or acquired shares and whose votes represent at least two thirds of the company's share capital are present or represented at the meeting. Decision shall be passed unanimously.

Re-examination of the formation report

Article 209

(1) If the meeting does not adopt the proposal for the formation report's re-examination, the report shall be examined, prior to the election of the company's bodies, upon the request of the persons who subscribed and acquired shares representing one fifth of all shares paid for only in money.

(2) The persons who subscribed and acquired shares by paying for them only in money shall elect three fiduciaries. One fiduciary shall be elected by a special vote taken by the persons who subscribed or acquired shares and who called for the re-examination of the formation report. This, however, shall not preclude their voting in the election of the other fiduciaries.

(3) Upon election of the fiduciaries, the founders' meeting shall adjourn for seven days and shall determine the time for its reconvening without issuing a special invitation.

(4) The fiduciaries shall submit a written report to the meeting. If the majority of the fiduciaries evaluates that the value of contributions of things and rights is less than two thirds of the initially expressed value, the founders' meeting shall resolve on whether or not the company is to be formed.

(5) Neither the founders nor the persons who subscribed or acquired shares and from whom the company is to acquire the contributions of things or rights shall participate in the voting referred to in the previous paragraph of this Article. They shall also not be allowed to participate in the voting as representatives acting in the name of others. Only such persons as are directly concerned in the re-examination of the founders' report shall be excluded from voting.

(6) Where no voting majority is achieved, the formation shall be deemed unsuccessful, unless the founders or the other persons present at the meeting acquire all the shares of those who voted against the company's formation and who declared that they do not want to be shareholders. The persons acquiring shares shall at the same time, at the notary public's having jurisdiction, pay in all the amounts due and fill in or sign the subscription forms.

(7) If on the basis of the fiduciaries' report the vote on the company's formation turns out to be unnecessary, the costs of re-examining the founders' report shall be borne jointly and severally by those who requested its re-examination. In all other cases the said costs shall be borne by the founders.

Registration in the court register. Acting in the name of the company before the company's registration in the court register. Liability in the course of formation.

Article 210 (OG 40/19)

(1) The provisions of Articles 186 to 189a of this Act shall apply accordingly to the registration of the company's formation in the court register.

(2) The provisions of Articles 191 to 194 of this Act shall apply accordingly to the liability for damages caused in the course of the company's formation.

(3) The provisions of Article 6 of this Act shall apply accordingly to acts performed in the name of the company before the company's registration in the court register.

Chapter 4 LEGAL RELATIONSHIPS BETWEEN THE COMPANY AND THE SHAREHOLDERS

Principle of equal position of shareholders

Article 211

Under equal conditions, shareholders shall have an equal position within the company.

Principal obligation of shareholders

Article 212

The obligation of the shareholder is to pay into the company's account the amount for which the shares have been issued or to transfer to the company the thing or right if the share is paid for by way of contribution of things or rights.

Consequences of untimely payment

Article 213

- (1) Shareholders shall be obliged to pay for the shares at the invitation of the management board. Unless the articles of association provide otherwise, the shareholders shall be called to make payments for shares in the company's official journal.
- (2) Shareholders who fail to pay for the shares on time are obliged to pay the company default interest, at a rate prescribed by law, from the due date until its settlement, unless the articles of association provide for a higher rate.
- (3) For untimely payment of shares by way of transferring things or rights to the company as provided for in the second sentence of Article 179, paragraph 5, of this Act, the articles of association may also provide for the payment of a contractual penalty.

Expulsion of shareholders for untimely payment of shares

Article 214

- (1) Shareholders who fail to make timely payment of required amounts may be granted, by registered letter, a subsequent period with the warning that, if such period expires without payment, their shares and any what they have already paid will be forfeited. The granting of subsequent period shall be published in the company's official journal.
- (2) Shareholders who nevertheless do not pay the amounts required shall, by public announcement, forfeit their shares and what they have paid to that date in favour of the company. Such announcement shall specify the shares being forfeited in favour of the company.
- (3) Instead of the old share certificates that have been forfeited, new certificates shall be issued indicating the amounts paid and the amounts still due. The expelled shareholder shall be liable to the company for the unpaid amount if it is not subsequently paid in the manner prescribed by Article 215 of this Act.

Payment of the predecessor's obligation

Article 215

- (1) Each predecessor of the expelled shareholder registered in the share register shall be liable to the company for the payment of the outstanding amount if such payment cannot be obtained from their successors. The company shall notify the shareholder's immediate predecessor of any call for payment made to the said former shareholder. It shall be presumed that payment cannot be obtained if such payment has not been made within one month from the date the request for payment was made and the predecessor of the expelled shareholder was informed thereof. Once the outstanding amount is paid, a new share certificate shall be issued.
- (2) Each predecessor shall be obliged to pay only those amounts that have been demanded by the company within a period of two years from the date the transfer of the share has been requested in the share register.
- (3) If payment of the outstanding amount cannot be obtained from the predecessor, the company shall promptly sell the share on a regulated market or in another customary manner.

Prohibition of release from fulfilment of shareholders' obligation

Article 216

- (1) The shareholders and their predecessors may not be released from their obligation referred to in Articles 212 and 215 of this Act. A set-off against a claim of the company pursuant to Articles 212 and 215 of this Act shall not be permitted.

(2) Shareholders may be released from the obligation to pay contributions in the case of an ordinary share capital reduction or a share capital reduction through withdrawal of shares up to the amount by which the share capital is reduced.

Prohibition of return of paid-in and payment of interest on contributions and repayment of equity-substituting loan

Article 217

(1) Paid-in contributions may not be returned to shareholders. The payment of the price in case of a permitted acquisition of own shares shall not be deemed to constitute a return of paid-in contributions.

(2) Interest on their contributions to the company may be neither promised nor paid to shareholders.

(3) The provisions of Article 408 of this Act shall apply accordingly to the repayment of an equity-substituting loan where the loan was granted by a shareholder whose shares represents at least one quarter of the company's share capital and the company, absent the loan, would not be able to report a profit in its business operations.

Additional obligations of shareholders

Article 218

(1) If the transfer of shares requires the consent of the company, the articles of association may provide that, in addition to paying-in to the company's share capital, shareholders are obliged, with or without remuneration, to perform non-monetary obligations. Shareholders' obligations and their scope shall be specified in shares and interim certificates.

(2) The articles of association may provide for contractual penalty in the event such additional obligations have not been performed or have not been performed in the manner provided for.

Prohibition of subscription of own shares and acquisition of shares

Article 219

(1) The company may not subscribe own shares.

(2) A subsidiary company may not acquire shares of the parent company, a company in which a majority shareholding exists may not acquire shares of the company which holds that majority shareholding either as founder or by subscribing shares at the time of the company's formation or during an increase or a conditional increase of company's share capital. Acquisition of shares contrary to these provisions shall remain valid.

(3) Whoever at the time of the company's formation or share capital increase acquires a share for the account of the company or a subsidiary company or a company in which a majority shareholding exists may not claim that they did not acquire shares for their own account. They guarantee that the full contribution will be paid irrespective of agreements with the company or the subsidiary company or the company in which a majority shareholding exists. They shall not be entitled to rights from the share before they acquire the share for their account.

(4) If, in the case of a share capital increase, shares are subscribed in violation of the provisions of paragraphs 1 and 2 of this Article, all members of the management board or executive director guarantee for the full payment of shares, unless they prove that they are not at fault.

Distribution of profit

Article 220

(1) The company is obliged to firstly use the net profit realised in the financial year for the purposes specified in the following order:

1. to cover losses carried over from earlier years;
2. for entry into the statutory reserves;
3. for entry into the reserves for own shares, if the company has acquired them or intends to acquire them;
4. for entry into the reserves provided by the articles of association, if the company has them.

(2) When preparing the annual financial statements, the management board or the executive directors shall comply with the provisions of the previous paragraph of this Article.

(3) Upon establishing the annual financial statements, the management board and the supervisory board or the executive directors and the board of directors may use the amount of net profit, which remains after it is used for the purposes from paragraph 1 of this Article, for entry into other profit reserves but not more than one-half of that amount. The articles of association may authorise them to transfer more or less than one-half that amount. Authority granted by the articles of association to the management board and supervisory board or board of directors, to dispose with more than one-half of the amount of net profit which remains after its use for purposes from paragraph 1 of this Article shall be valid only until other profit reserves reach the level corresponding to the one-half of the share capital of the company so they cannot distribute a portion of net profit to these reserves if the stated reserves exceed one-half of that capital or they would exceed that amount if a portion of net profit for the current year were distributed to them.

(4) If, in accordance with the Act, the annual financial statements are established by the general meeting, it may also decide to distribute the net profit remaining following its use in accordance with paragraph 1 of this Article, to other profit reserves, but may not use for this purpose more than one-half of the net profit remaining after its use for the purposes referred to in paragraph 1 of this Article.

(5) By its resolution on the use of the profit, the general meeting may decide to distribute the amount in addition to that referred to in paragraphs 3 and 4 of this Article to other profit reserves. If determined by the articles of association that the profit may be used, in addition to distribution to other profit reserves referred to in paragraph 1 of this Article, for distribution to shareholders and for other purposes (e.g. for payments to the employees, members of the management or supervisory board or executive directors and board of directors), the general meeting may decide to also use them for these other purposes.

(6) Shareholders have a right to be distributed profit unless the resolution of the general meeting, in accordance with law or the articles of association, determines that profit shall be used for the purposes referred to in paragraph 5 of this Article or that it shall not be distributed to shareholders (retained profit).

(7) Unless the company's share capital is being reduced, dividends may not be paid out to the shareholders if net assets in the annual financial statements for the past financial year are below the share capital amount increased by the amount of reserves that, under the provisions of the law or articles of association, cannot be paid out to shareholders or if it would be reduced by such a payment. In this regard, one shall take into account the amount of the share capital reduced by the amount that is not paid, if such unpaid part is not reported under the active side of the report on financial position. The amount paid out to shareholders may not exceed the amount of profit reported in the annual financial statements for the past financial year, increased by the retained profit from previous years and reserves that may be used for payments to shareholders, reduced by the losses from previous financial years and amounts that were, under the provisions of the law or articles of association, distributed to the company's reserves.

(8) Prior to the company's dissolution, shareholders may be distributed only profit which results from the profit and loss statement as well as a portion of retained profit when pursuant to the regulations such profit do not follow from the said account.

(9) The articles of association may provide that the general meeting may render a decision on the payment of profit to shareholders in things.

Payment of dividend advance from a portion of net profit

Article 221

(1) The articles of association may authorise the management board or the executive directors to pay shareholders an advance on the dividend from the foreseeable portion of the net profit after the end of the financial year.

(2) The management board or the executive directors may pay the advance only if the preliminary profit and loss statement for the past financial year shows profit. The amount of the advance may not exceed half of the amount of profit reduced by the amounts that, under the law and the Articles of Association, must be entered into the company's reserves. In addition, the payment of the advance shall not exceed one half of preceding year's profit.

(3) The payment of an advance shall require the consent of the supervisory board or the board of directors.

Statutory reserves and capital reserves

Article 222

(1) The company shall be required to enter into the statutory reserves one twentieth of the profit for current year, reduced by the amount of the loss from the previous year, until the statutory reserves and the capital reserves (tied-up reserves) reach the amount of five per cent (5%) of the company's share capital or higher percentage of the share capital set by the articles of association.

(2) The company shall enter into capital reserves:

1. portion of the amount paid for the shares issued that exceeds the par value of shares and if no-par-value shares are issued, the amount that exceeds the book value of share capital relating to shares;
2. portion of the amount paid to the company for the acquisition of convertible bonds or bonds with a share purchase option that exceeds the par value of issued bonds;
3. amounts of other additional payments by shareholders into the company's own capital;
4. the amount of share capital reduction by simplified procedure in order to transfer funds into capital reserves.

(3) Statutory reserves and capital reserves not exceeding the amount referred to in paragraph 1 of this Article may be used:

1. to cover the loss for the current year, if it is not covered from the profit from the previous year and cannot be covered by using other reserves;
2. to cover the loss from the previous year, if it is not covered from the profit from the current year and cannot be covered by using other reserves.

(4) The portion of statutory reserves and capital reserves exceeding the amount referred to in paragraph 1 of this Article may be used:

1. to cover the loss for the current year, if so is not done from the profit from the previous year;
2. to cover the loss from the previous year, if so is not done from the profit from the current year;
3. to increase the share capital from the company's assets.

Statutory and capital reserves may not be used for the purposes referred to in items 1 and 2 of this paragraph if, at the same time, the reserves of the company are used for the payment of dividends.

Reserves for own shares, reserves provided by the articles of association and other reserves

Article 222a

(1) Only amounts resulting from net profit of the business year or from profit carried over from previous years may be entered into profit reserves.

(2) If a company acquires own shares during a business year, it shall, in that year, enter and record in the reserves for those shares the amounts corresponding to the amounts paid for the acquisition of own shares. Amounts from reserves provided by the articles of association, if the articles of association provide that they may be used for such purpose, and amounts from other profit reserves which exceed amounts of loss carried over that could not be covered from the net profit of the financial year, may also be entered into the reserves for own shares. Reserves for own shares may be dissolved only if those shares are disposed of or withdrawn or reduced by the amount by which they exceed the lower declared value of own shares.

(3) Where the articles of association provide that the company has reserves provided by the articles of association, the articles of association shall specify:

1. the amount of these reserves either in the absolute amount or as a portion of the share capital or total own capital of the company;
2. the portion of net profit, reduced by the amount used to cover losses carried over, the amount entered into statutory reserves and the amount entered into the reserves for own shares, if the company has them, which is to be used for the creation of reserves provided by the articles of association in each financial year;
3. the purposes for which those reserves may be used.

(4) Reserves provided by the articles of association may be used only for the purposes specified in the articles of association.

(5) Other reserves may be used by the company for any purpose, unless they have been used for the purpose referred to in paragraph 2 of this Article and unless otherwise determined by the articles of association.

Distribution of profit

Article 223

- (1) Shareholders' shares in profit shall be determined in proportion to their share in the company's share capital.
- (2) If contributions to share capital have not been paid in full or in the same proportion for all shares, the shareholders shall participate in the distribution of profit in proportion to their payments. Contributions which have been made during the course of the business year shall be taken into account according to the time which has elapsed since the payment.
- (3) The articles of association may provide for another method of distributing profit.
- (4) If the general meeting does not specify in its resolution on the distribution of profit the day on which the shareholders acquire claims for the payment of dividends determined by that resolution, which day shall not be later than 30th day from the day of the passing of the resolution, the shareholders acquire claims for the payment of dividends against the company upon the expiry of the day on which the general meeting that rendered the resolution was concluded. Upon their acquisition by the shareholders, the claims for payment of dividends shall become detached from the shares through the realisation of the rights from which they originated. The resolution on the payment of dividends may specify the day on which these claims are to become due, which cannot be later than 30 days from the day on which the shareholders acquired them. If the general meeting does not set the date on which the claims are due, they shall become due upon the expiry of 30th day from the day they were acquired.

Liability of shareholders which received prohibited payments

Article 224

- (1) Shareholders shall return to the company payments they receive from the company contrary to this Act. If they have received the amounts as dividends, the obligation to return them shall exist only if the company proves to them that they knew or should have known that they were not entitled to receive payment.
- (2) The claim of the company may also be asserted by the company's creditors if the company is unable to settle their claims. If bankruptcy proceedings have been instituted against the company, the bankruptcy administrator shall exercise the right of the company's creditors against the shareholders during the course of bankruptcy proceedings.
- (3) The statute of limitations for claims pursuant to these regulations shall be five years from the receiving of payment.

Payment of additional performances

Article 225

For additional performances that shareholders are, based on the articles of association, obliged to perform to the company, in addition to contributions in the company's share capital, they may receive compensation not exceeding the value of the performance, regardless of whether a profit is shown in the profit and loss statement.

Registration in the share register

Article 226 (OG 40/19, 34/22, 130/23)

- (1) Shares shall be registered in the company's share register with designation of the name and surname, domicile or corporate name and seat and postal address and e-mail address of the shareholder and, if the company issued no-par-value shares their number, and in the case of par-value shares their number and par value. Shareholders are obliged to submit this data to the company. The articles of association may determine the prerequisites for registration of shares in the share register on one's own name if they belong to another person. If shares have been registered in the share register to an investment fund within the meaning of the Act on Open-Ended Investment Funds with a Public Offering and the Act on Alternative Investment Funds, and holders of their stakes or shares are not exclusively institutional investors, it shall be deemed that the shareholder is the investment fund within the meaning of the said acts irrespective of the fact that the investors are jointly holders of these shares. If the investment fund does not have legal personality, it shall be deemed that these are the shares of the company for the management of the investment fund.
- (2) In relation to the company, the rights and obligations arising from a share are recognized only to a person who has been registered in the share register. If the company issued shares in the form of book-entry securities, the relevant

status shall be the one recorded in the shareholder's account maintained for the company's shares by a legal person authorised by law. A person to whom shares are registered in the share register shall not have voting rights from shares if they exceed the upper limit set by the articles of association or breaches the obligation to disclose to whom the shares registered on their name in the share register belong, set by the articles of association, in accordance with paragraph 1, third sentence of this Article. Furthermore, shares shall not give voting rights after the expiry of the period of time for giving notice under the threat of losing voting rights from shares in accordance with paragraph 3, fourth sentence, of this Article until these notices are given to the company.

(3) When share is transferred, deletion of the previous shareholder and registration of the new one in the register shall be conducted upon the request which must be accompanied by a proof that the share is transferred. It shall suffice to provide data in accordance with Article 297d, paragraph 4, of this Act. Intermediaries are obliged, with the compensation of necessary costs, to provide the company with all necessary data for keeping the share register. If the company requests so, any person registered in the share register shall have an obligation to inform it without delay whether these are their shares. If the intermediary, in the course of the procedure of the transfer of shares, has been only temporarily registered in the share register, this registration shall not entail obligations referred to in paragraph 2 of this Article and Article 297b of this Act and shall not lead to application of limitations from the articles of association under paragraph 1 of this paragraph.

(4) A shareholder subject to international restrictive measures regarding the disposal of things or a shareholder in respect of whom the legal consequences of a final conviction for the criminal offence of terrorist financing or money laundering are ongoing, shall notify the company thereof without delay. If the company requests so, every shareholder shall, without delay, disclose whether any of these circumstances exist in respect to them.

(5) All rights arising from the shares shall be suspended for a shareholder that fails to respond to the company's request referred to paragraph 4 of this Article in a timely manner, until the shareholder fulfils their obligation. Rights arising from the shares shall also be suspended for a shareholder subject to international restrictive measures regarding the disposal of assets while such measures are in effect, as well as for a shareholder convicted by a final judgment of a criminal offence of terrorist financing or money laundering while the legal consequences of the conviction are in effect. Rights arising from shares for those shareholders shall be suspended irrespective of whether the company is aware of the international restrictive measures or the conviction by a final judgment of these criminal offences.

(6) If, in the opinion of the company, someone has been wrongly registered as shareholder in the share register, the company may delete the registration only if it has previously notified the shareholder about it and has granted them a reasonable period of time to object. If the shareholder objects the intended deletion within the given period of time, they cannot be deleted from the share register.

(7) These provisions shall apply accordingly to interim certificates.

(8) Each shareholder may request from the company to inform them about the data in the share register that relate to them and who are the shareholders and of which shares in the company. The company may use the data contained in the register only for the purpose of performing its tasks in relation to shareholders. The data may be used for other purposes if the shareholder does not object thereto. The shareholders shall be appropriately informed of their right to object thereto.

Transfer of shares

Article 227

(1) Shares, apart from those issued in book-entry form, shall also be transferable by endorsement. The provisions of the Bills of Exchange Act shall apply accordingly to the form of the endorsement, legal legitimization of the holder and their obligation to deliver the share. Shares issued in book-entry form shall be transferred as set forth in the act regulating book-entry securities.

(2) The articles of association may determine that the transfer of a share not issued as a book-entry security is subject to the consent of the company. Such consent shall be granted by the management board or the executive directors. The articles of association may provide that the supervisory board or the board of directors, or the general meeting shall decide on the granting of consent. The articles of association may specify the reasons for which consent for transfer of

share may be refused. Where the said reasons are not specified in the articles of association, consent for the transfer of shares may be refused only where this is in the interest of the company and, in particular, if in view of the shareholders' structure, the transfer might jeopardise the achievement of the company's goal or its economic survival. The articles of association may not determine stricter reasons for refusing to grant consent for the transfer of share.

(3) The company may request from the person who is to acquire a share to declare whether they are acquiring the share in their own name and for their own account or for the account of someone else. Giving consent for the transfer of a share may be refused if the person acquiring the share refuses to provide such declaration or declares that they are acquiring the share for someone else's account. If a share is acquired by inheritance, universal succession of a legal person or sale within the framework of enforcement or bankruptcy proceedings, the company may refuse to grant consent to transfer for some of the stated reasons only if it offers to the person acquiring the share to buy the share back at its market value. If within one month from the date of receipt of the offer the person acquiring the share does not declare to the company that they reject the offer, it shall be deemed that they have accepted the offer.

(4) Until they obtain consent for the transfer of share, the person acquiring the share may not exercise their membership rights in the company, and if the share is acquired by inheritance, universal succession of a legal person or sale within the framework of enforcement or bankruptcy proceedings, the person acquiring the share may not exercise management rights in the company. If the company, within one month from receipt of the request, does not decide on the granting of consent or refuses to grant it for a reason not provided for in paragraph 2 of this Article, consent shall be deemed granted.

(5) If a share is transferred by endorsement, the company shall be obligated to verify the continuous sequence of endorsements, but not the signatures.

(6) The foregoing provisions shall apply accordingly to interim certificates.

Multiple holders of a share

Article 228

(1) If a share has multiple holders, they may exercise the rights arising from the share only through a joint representative.

(2) All holders shall be jointly and severally liable for the obligations arising from the share.

(3) If the company is required to declare its intent to the shareholder and the holders of the share have not appointed a joint representative, it suffices for the company to declare its intent to one of the holders.

Calculation of the period for which the holder has the share

Article 229

If the exercise of rights arising from a share requires that the shareholder has been the holder of such a share for a certain period of time, the claim for the transfer that they have against a credit or financial institution is equated with the mentioned shareholder's right to the share. The period during which the holder of a share was shareholder's legal predecessor shall be attributed to the shareholder, provided that they have acquired the share without payment from their fiduciary, as a universal successor or by division of a community.

Declaration of a share certificate as invalid through the amortization process and by the company

Article 230

(1) A share certificate or interim certificate that has been lost or destroyed may be declared invalid according to the regulations on the amortization of securities.

(2) If coupons for payment of dividends are made out to the bearer, declaring the share certificate or interim certificate invalid also extinguishes a claim from coupon that is not yet due for payment.

(3) If the content of share certificates has become inaccurate due to changes in legal relations, the company may, with the permission of the court, declare it invalid. If the inaccuracy relates to a change of the par value of the share, it may be declared invalid only if the par value is reduced to reduce the company's share capital. The share may not be declared invalid solely because the designation of the shareholder has become incorrect.

(4) The call to deliver share certificate shall state that the certificate is being declared invalid and make reference to the approval of the court. Share certificates may be declared invalid only if the call has been published in the manner prescribed by Article 214, paragraph 1, of this Act regarding the granting of the subsequent. The declaration of the share certificate as invalid is carried out by publishing in the company's official journal. The share is declared invalid in the notice in such a manner that the notice clearly indicates which share certificate is being declared invalid.

(5) In lieu of the share certificate which is declared invalid, new share certificate shall be issued and delivered to the person entitled thereto or deposited. The court shall be notified of the delivery or deposit.

Replacement of damaged share certificates and interim certificates

Article 231

If a share certificate or interim certificate has been damaged in such a manner that it is no longer fit for commerce, but its essential content and identifying marks are recognizable, the authorized person may request the company to issue a new certificate upon handing over the damaged one. Such person shall advance and bear the costs of issuing a new certificate.

New coupons for shares

Article 232

A new coupon sheet may be delivered to the lawful holder only upon presentation of the share allonge.

Acquisition of own shares

Article 233

(1) A company may acquire own shares on the basis of an authorisation from the general meeting for its acquisition lasting no more than 5 years and that sets the conditions under which shares may be acquired, in particular, the greatest number of shares that it should acquire, the period for which the authorisation for share acquisition is granted and, where shares are acquired by payment, the highest and lowest value of what the company gives thereof. The company must not acquire its own shares for the purpose of trading them. Upon each acquisition of shares, the company's management board or the executive directors shall establish that the requirements prescribed by this Act have been met.

(2) The provision of Article 211 of this Act shall apply to the acquisition of shares from paragraph 1 of this Article and their disposal. The provisions of Article 308, paragraphs 3 and 4, of this Act shall apply accordingly to share acquisition and disposal. It shall be deemed that these provisions have been complied with if shares are being acquired or disposed of on the organised market. Different acquisition and disposal of shares shall require the resolution of the general meeting. The general meeting may authorise the management board or the board of directors to withdraw the company's own shares while reducing the share capital, without requiring a special resolution of the general meeting.

(3) The company may acquire own shares even without having been granted authorisation from the general meeting:

1. if necessary to avert severe and imminent damage to the company;
2. if the shares are to be offered to the employees of the company or of an affiliated company provided the shares are transferred to such persons within one year of their acquisition;
3. if the shares are acquired to compensate the shareholders of the company or the minority shareholders of its subsidiary companies pursuant to the provisions of this Act;
4. if the acquisition is gratuitous or if a credit or financial institution acquires shares on a commission basis;
5. if the shares are acquired from a shareholder because they have not fully paid the amount for which the shares were issued;
6. on the basis of universal legal succession;

7. on the basis of a resolution of the general meeting to withdraw shares pursuant to the provisions governing a reduction of the company's share capital;

8. through a court-conducted auction so that the company would satisfy its claim against a shareholder.

(4) The shares acquired in the manner provided for in paragraph 1 of this Article and for the purposes under paragraph 3, items 1 to 3, 5 and 8 of this Article together with other company's own shares it already holds must not exceed ten per cent (10%) of the share capital of the company. Such acquisition is furthermore permitted only if the company forms the prescribed reserves for these shares so that the net assets of the company, as shown in the annual financial statements for the last business year, do not, due to the acquisition of shares, fall below the amount of share capital and the reserves that company must maintain by law or the articles of association and which cannot be used for payments to shareholders. For this purpose, the amount of share capital shall be computationally reduced by the amount still not paid if this amount is not shown on the active side of the statement of financial position. In the cases referred to in paragraph 1 of this Article and paragraph 3, items 1, 2, 4, and 8, the acquisition of shares is permitted only if the issue price for these shares has been paid in full.

(5) In the cases referred to in paragraph 1 of this Article and paragraph 3, item 1, the company management board shall inform the first next general meeting of the company of the reasons and purpose for the acquisition of the shares, their number, their portion in the share capital, and the consideration the company gave for those shares.

(6) Acquisition of shares contrary to the provisions of paragraphs 1 and 3 of this Article shall be valid and the legal transaction for transfer of shares shall be null.

Null transactions

Article 234

(1) A legal transaction by which a company grants an advance, loan or the security instrument to another person for the purpose of acquiring shares in that company shall be null. The foregoing shall not apply to ordinary legal transactions conducted by credit or financial institutions, unless otherwise provided by a special act, nor to the granting of an advance or loan or the providing of security instrument for the acquisition of shares by the employees of the company or of an affiliated company. Legal transaction shall also be null in these cases, if the company, while acquiring its own shares, would be unable to create the prescribed reserves for those shares without reducing its net assets below the level prescribed in Article 233, paragraph 4, of this Act.

(2) A legal transaction between the public limited company and another person which entitles or obligates that person to acquire shares in the public limited company for the account of that company or a subsidiary company or a company in which a public limited company has a majority shareholding shall also be null if the acquisition of the shares by the public limited company would violate Article 233, paragraphs 1, 3 and 4, of this Act.

(3) Where the company is allowed to grant someone an advance, loan or the security instrument for the purpose of acquiring own shares, including in the case of a share capital increase, it shall do so under the following terms:

1. shares must be acquired under fair market conditions, in particular with respect to what the company is to obtain for it, including interest on granted loan, security instruments provided for the repayment of loan and return of an advance, provided the creditworthiness of the third party or third parties participating in the transaction is examined beforehand, with the company's management board being responsible for all of the above;

2. the company's management board or executive directors must obtain previous consent from the general meeting for the conclusion of such a transaction, by a resolution passed with votes representing at least two-thirds of the share capital represented at the general meeting at the time the decision is made, provided that it submits a written report to the general meeting prior to the passing of the resolution stating the reasons for concluding such transaction, the company's interest in entering into it, conditions under which the transaction is to be concluded, the risks that such transaction involves for the company's liquidity and solvency, and the price at which a third party is to acquire shares. The said report shall also be delivered to the court of registration for the purpose of announcing that the said report has been delivered and the date of its delivery to the court;

3. the amount of financial assistance thus provided to a third party or third parties shall not at any point in time lead to a reduction in the amount of the company's net assets below the level referred to in Article 233, paragraph 4, of this Act,

taking into account net asset reductions brought about by previous acquisitions of the company's own shares, direct or through other persons, and the company must, in its statement of financial position, among the liabilities, record reserves which cannot be used for payments to shareholders in a total amount corresponding to the financial assistance granted to third parties in the above described manner.

(4) Legal transaction referred to in paragraph 1 of this Article, by which assistance is provided for the acquisition of the company's shares by members of the company's management board or the company's executive directors, or members of the company's supervisory board or the board of directors, including in the case of the increase of company's share capital, or by a company which in respect of the company whose shares are being acquired is considered a parent company, or by a third party in its own name and for their account, shall be deemed null if it is not in the best interest of the company.

Rights arising from own shares

Article 235

Rights arising from own shares shall be suspended.

Disposal and withdrawal of own shares

Article 236

(1) If the company acquires own shares contrary to the provisions of Article 233, paragraphs 1, 3 and 4, of this Act, it shall dispose of them within one year.

(2) If the portion of the company's share capital represented by the shares that a company has lawfully acquired pursuant to the provisions of Article 233, paragraphs 1, 3 and 4, of this Act and still hold exceeds 10 per cent (10%) of that share capital, the company shall, within three years of acquiring the shares, dispose of the portion of shares exceeding that percentage.

(3) If own shares have not been disposed of within the periods provided in paragraphs 1 and 2 of this Article, the company shall withdraw them.

Acquisition of own shares through third parties

Article 237

A person acting in their own name but for the account of the public limited company may acquire or hold shares of that company only if that company would also be permitted to do so pursuant to the provisions of Article 233, paragraph 1, paragraph 3, items 1 to 6, and 8, and paragraph 4 of this Act. The foregoing shall apply when the shares are acquired or held by a subsidiary company or a company in which a public limited company has a majority shareholding or when they are acquired or held by a third party acting in its own name but for the account of a subsidiary company or company in which a public limited company has a majority shareholding. For the purposes of calculating the total amount of the share capital represented by shares under the provisions of Article 233, paragraph 4, and Article 236, paragraph 2, of this Act, such shares shall be deemed to be shares of the public limited company. In other aspects, the provisions of Article 233, paragraph 5, and Articles 234 to 236 of this Act shall apply accordingly. the third party or a company shall, upon the request of the public limited company, sell shares to the public limited company. The public limited company shall pay consideration for the shares.

Pledging of own shares

Article 238

(1) The pledging of a company's own shares shall be equated with the acquisition of own shares under Article 233, paragraphs 1 and 3 and Article 237 of this Act. Unless a special act provides otherwise, a credit or financial institution may, within the scope of ordinary transactions, pledge its own shares up to the total amount of the share capital referred to in Article 233, paragraph 4, of this Act. The provisions of Article 234 of this Act shall apply accordingly.

(2) An action contrary to paragraph 1 of this Article shall result in the pledge of own shares being invalid if the full amount for which the shares were issued has not been paid in.

Chapter 5 COMPANY BODIES

Section 1 Management board

Composition of the management board

Article 239 (OG 34/22, 18/23, 130/23)

(1) The management board shall consist of one or more persons (directors), the number of whom shall be determined by articles of association. If the management board consists of more than one person, one of them shall be appointed chairperson.

(2) Any natural person with full legal capacity may be a member of the management board. The articles of association may determine the conditions for appointing the members of the management board. A member of the management board may not be a person:

1. who has been convicted of the criminal offence of money laundering, terrorist financing, breach of trust in economic transactions, fraud in economic transactions, causing bankruptcy, preferential treatment of a creditor, or violation of the obligation to keep commercial and business books under the Criminal Code of the Republic of Croatia, or previously applicable criminal offences of abuse of bankruptcy and abuse in the bankruptcy proceedings, while the legal consequences of the conviction are in effect, as well as who is subject to international restrictive measure regarding the disposal of assets while the measure is in effect; or

2. who has been convicted of a criminal offence of some other country which, by its essential characteristics, corresponds to the criminal offences referred to in item 1 of this paragraph;

3. against whom the safety measure of prohibition to engage in a line of occupation that is in whole or in part encompassed by the company's objects, during the time such prohibition is in force;

4. who has been, in another country, prohibited to engage in a line of occupation that is in whole or in part encompassed by the company's objects, during the time such prohibition is in force.

(3) Membership in the management board shall cease by law if, following the resolution on the appointment of a member of the management board, the circumstances prescribed by law referred to in paragraph 2 of this Article arise on their part that would have, had they existed at the time of the resolution, prevented the appointment. The member of the management board whose membership has ceased after being convicted by a final court judgment or becoming subject to international restrictive measures regarding the disposal of assets is obliged to inform the company thereof without delay. Other members of the management board and the chairperson of the supervisory board are obliged without delay upon learning of such circumstances submit to the court of registration an application for registering the termination of that person's membership in the management board. If the court of registration, applying accordingly Article 68, paragraph 6, of this Act, learns that such circumstances have arisen, it shall ex officio register the termination of that person's membership in the management board in the court register, and inform the company thereof.

(4) The ministry competent for judicial matters shall set up and maintain records of persons not eligible for membership in the management board in accordance with items 1 and 3 of paragraph 2 of this Article.

(5) The minister competent for judicial matters shall prescribe by way of an ordinance the contents, method of maintaining and conditions of use of the records referred to in paragraph 4 of this Article and the procedure for notifying companies on new entries in the records.

Management of the company's business

Article 240

(1) The management board manages the company's business at its own responsibility.

(2) If the management board consists of several persons, the members of the management board shall be authorized to manage the business only jointly. The articles of association may provide for a different method of managing business, but they may not provide, in the case of differing opinions among members of the management board, that the final decision is deemed rendered by a minority of members. If voting on a resolution results in a tie, and the articles of association do not provide otherwise, the decisive vote shall be that of the chairperson of the board.

(3) The management board may adopt by-laws on the work of the management board unless the articles of association confer the authority to issue such by-laws upon the supervisory board or if, even without such authority having been conferred on it, the supervisory board does not adopt it. The matters ordinarily regulated by the by-laws may be regulated by the articles of association. Resolutions of the management board regarding the by-laws shall require a unanimous vote.

Representation

Article 241

(1) The management board shall represent the company. In doing so, it shall be authorised to perform all legal acts of representation in transactions, in front of the court and other bodies of government.

(2) If the management board consists of several persons, and the articles of association do not provide otherwise, the members of the management board shall only represent the company jointly. If a declaration of intent is to be made to the company, it suffices that it is declared to one member of the management board.

(3) The articles of association may provide that particular members of the management board are authorised to represent the company by acting either solely or jointly with the procurator. The supervisory board may also render such a decision, if authorised to do so by the articles of association.

(4) Members of the management board shall sign in the name of the company indicating the company's corporate name and their position as member of the management board.

(5) If the company has only one shareholder, or when alongside that shareholder the company itself also holds shares, legal transactions between such shareholder and the company, in which such shareholder represents the company, may be concluded under the condition referred to in Article 41, paragraph 3, of this Act, even if such shareholder is not the only member of the management board. Such transactions, however, shall be concluded in a written form or a document must be drawn up containing the wording of what has been agreed upon.

Restriction on the authority to represent and management of business

Article 242

(1) The authority of the management board to represent the company cannot be restricted.

(2) In managing company's business, the members of the management board must, in relation to the company, comply with the restrictions imposed on them, within the framework of regulations, by the articles of association, the resolutions of the supervisory board and the general meeting, and the by-law of the management board.

Preparation and execution of resolutions of the general meeting

Article 243

The management board shall be obliged to:

1. at the request of the general meeting, prepare resolutions and general acts that fall within the competence of the general meeting;
2. prepare contracts that can be concluded only with the consent of the general meeting;
3. execute resolutions rendered by the general meeting, within the framework of general meeting's competence.

Appointment and removal of members of the management board

Article 244 (OG 130/23)

- (1) The supervisory board shall appoint the members of the management board and the chairperson for a maximum term of five years, with the possibility of reappointment. Unless the resolution on the appointment provides otherwise, the terms of office of the chairperson and the members of the management board shall start to run from the day the resolution on the appointment is rendered irrespective of the registration in the court register. Reappointment of the chairperson and the members of the management board shall not be possible earlier than one year before the expiration of their terms of office. court register
- (2) The supervisory board may revoke its resolution on the appointment of a member of the management board or its chairperson for an important reason. The important reason shall particularly be considered to be a gross breach of duty, inability to properly manage the company's business, or a vote of no confidence by the general meeting, unless such vote of no confidence was made for manifestly unsubstantiated reasons. Removal shall be valid until its invalidity is established by a court decision. A removal of a member or the chairperson of the management board shall be without prejudice to the terms of the contract that they concluded with the company.
- (3) A member or the chairperson of the management board may file a suit with the court referred to in Article 40, paragraph 1, of this Act to challenge the resolution referred to in paragraph 2 of this Article, within 60 days from the day they could have learnt of the resolution.

Resignation of a member of the management board

Article 244a

- (1) The chairperson and the members of the management board may resign irrespective of the claim for compensation for damages which the company might, as a result, have against them under the contract that they concluded with the company. A resolution of the supervisory board is not needed for the termination of membership in the management board. Unless otherwise provided in the resignation statement, such resignation is effective, where there is an important reason for it, from the day such statement is declared to the company; otherwise only after 14 days have passed from that day.
- (2) The resignation referred to in paragraph 1 of this Article shall be declared in written form to the company's supervisory board. Other members of the management board shall immediately be informed of the resignation.
- (3) Once given, a resignation may be revoked only with the consent of the supervisory board.

Appointment by the court

Article 245

- (1) If some member of the management board has not been appointed, the court shall appoint one in urgent cases upon the request of an interested party.
- (2) The person thus appointed shall remain a member of the management board until, in accordance with the articles of association, a member of the management board is appointed to the position for which they were appointed.
- (3) The member of the management board appointed by the court shall be entitled to reimbursement of costs incurred while holding the office and remuneration for their work. If the member of the management board, appointed in such a manner, and the company do not reach an agreement on it, the court shall decide on the amount of costs and remuneration.

Registration in the court register of change in the management board

Article 245a (OG 40/19)

- (1) After every change in the management board's composition as well as the change of the authorities to represent, an application shall be submitted without delay to the court of registration for the purpose of registration of such change in the court register.
- (2) The resolutions of the supervisory board on the removal of appointment and the appointment of members of the management board, or the resignation of a member of the management board in the original or officially certified copy as well as the data regarding the date of appointment, resignation or removal of a member of the management board shall be attached to the application referred to in paragraph 1 of this Article.

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(3) The application shall contain the statements of the new members of the management board given pursuant to Article 187, paragraph 1, item 4, of this Act.

Participation by members of the management board in the company's profit

Article 246

(1) Members of the company's management board may, for their work, be granted a right to participate in the company's profits.

(2) If members of the management board are granted the right to participate in the company's profit of the current year, their share shall be calculated based to that profit reduced by any loss not covered from the previous years and by amounts which, pursuant to law and the articles of association, are to be entered into the company reserves. Different stipulations concerning the participation of members of the management board in the company's profits shall be null.

Principles for the remuneration of members of the management board

Article 247 (OG 130/23)

(1) The supervisory board shall, in determining total remuneration of an individual member of the management board (salary, participation in the profit, reimbursement of costs, insurance premiums, commissions, and all other benefits), ensure that total amounts of remuneration are reasonably proportional with the work such member performs and the condition of the company.

(2) If, after the remuneration has been set for the members of the management board, the circumstances of the company deteriorate to such an extent that continuation of payment of the remuneration referred to in paragraph 1 of this Article would constitute a grave injustice, the supervisory board or, in the case referred to in Article 245, paragraph 3, of this Act, the court upon the request of the supervisory board, shall be authorised to make an appropriate reduction. Reduction of remuneration shall not affect the other parts of the contract between the member of the management board and the company. The member of the management board may cancel the contract by the end of the next calendar quarter upon giving six weeks' notice.

(3) The general meeting may resolve, upon request of shareholders referred to in Article 278, paragraph 1, of this Act, on the reduction of the maximum amount of remuneration from Article 247a, paragraph 1, item 1, of this Act.

Remuneration policy of companies whose shares are admitted to trading on a regulated market

Article 247a (OG 40/19, 130/23)

(1) The supervisory board of a company whose shares are admitted to trading on a regulated market shall decide on the system of remuneration of members of the management board. The remuneration policy shall contain at least the following data, with respect to the component parts of the remuneration, if any:

1. determination of the maximum amount of remuneration of members of the management board;
2. to what extent the remuneration contributes to the business strategy and long-term development of the company;
3. all fixed and variable parts of the remuneration and what their percentage (relative) shares are in the total remuneration;
4. all financial and non-financial criteria for payment of the changeable, variable part, including:
 - a) an explanation of how these criteria contribute to the business strategy and long-term development of the company;
 - b) methods for establishing whether these criteria have been met;
5. periods for which payment of a part of the remuneration is delayed;
6. whether the company is entitled to claim the return of variable parts of remuneration;
7. if the company gives a part of the remuneration in shares:
 - a) the time limits;
 - b) the conditions of holding the shares after their acquisition;
 - c) a clarification of how this part of the remuneration contributes to the business strategy and long-term development of the company;
8. managerial contract or other corresponding contract between a member of the management board and the company containing the following data:

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- a) duration of the contract and under which prerequisites it shall be terminated, including the agreed upon time periods for the rescission or cancellation of the contract;
 - b) obligations of the company towards a member of the management board with respect to severance fee;
 - c) whether the company shall pay voluntary pension and health insurance and whether it has the obligation to purchase additional pension service years to the member of the management board if they upon the termination of the managerial contract goes into early retirement;
9. explanation how, when determining remuneration, the conditions of employees' remuneration and working conditions were taken into account, including the explanation about the exact group of employees that was included in the adoption of the remuneration policy for members of the management board;
10. the procedure for adoption, implementation and supervision of the remuneration policy, as well as the role of the commission of supervisory board for awards and appointments or other boards and measures for prevention of conflict of interest;
11. if the supervisory board submits to the general meeting its re-examined remuneration policy in accordance with the provisions of Article 276a, paragraph 3, of this Act:
- a) explanation of all significant changes; and
 - b) review as to the extent the new re-examined remuneration policy takes into account the results of voting and views of shareholders about the earlier remuneration policy and remuneration reports.
- (2) The supervisory board of the company whose shares are admitted to trading on a regulated market shall determine the remuneration of the members of the management board within the framework of the remuneration policy it submitted for approval to the general meeting pursuant to the provisions of Article 276a, paragraph 1, of this Act. The supervisory board may temporarily depart from the remuneration policy if this is necessarily required by the long-term benefit of the company and if it is stated in the policy in which part a departure from the established remuneration policy can be made and in accordance with which procedure.

Prohibition of competition

Article 248

- (1) A member of the management board may not, without the consent of the supervisory board, carry out business activities which fall within the scope of the company's objects, either for its own account or for the account of another, may not be a member of the management board or a member of the supervisory board of another company which carries out business activities which fall within the scope of the company's objects, and may not carry out business activities at the premises of the company for its own account or for the account of another. Absent such consent, a member of the management board may neither be a member of a commercial company who is personally liable for the obligations of that company if that company carries out business activities which fall within the scope of the company's objects.
- (2) If a member of the management board violates the prohibition referred to in the previous paragraph of this Article, the company may claim from him the compensation for damages thus incurred. In lieu thereof, the company may request that the member of the management board allows that the transactions which he/her concluded for their own account are considered as transactions concluded for the account of the company and to transfer to the company what he/her received from the transactions concluded for the account of another, or to assign to the company their claim for the payment of what they ought to receive.
- (3) The claims of the company referred to in the previous paragraph shall be time-barred in the period of three months from when other members of the management board and members of the supervisory board learned about the act giving rise to the claim for compensation of damages. Claims shall be time-barred in each case, regardless of the knowledge of the act, in the period of five years from when the act was undertaken.

Conflict of interest

Article 248a (OG 110/15)

- (1) A member of the management board may not, without the consent from the supervisory board, take part in the decision-making or the conclusion of legal transactions, if:
- 1) they are a statutory representative, a legal representative, procurator or a proxy holder of the other contracting party;

2) the other contracting party or statutory representative, legal representative, procurator or proxy holder of the other contracting party is a blood relative of the member of the management board in the direct line up to any degree, or in the collateral line up to the second degree, or is their spouse, common-law spouse, or an in-law relative up to the second degree, regardless of whether the marriage has been dissolved or not, or is either the adopter or the adoptee of the other contracting party or such party's statutory representative, legal representative, procurator or proxy holder;

3) there is a conflict of interest between a member of the management board and a company related to the decision-making or the conclusion of the legal transaction.

(2) Regardless of whether they participate in the decision-making process or the conclusion of the legal transaction, a member of the management board shall immediately inform the remaining members of the management board and the supervisory board of the circumstances described under paragraph 1 of this Article, and state in the notification all relevant facts pertaining to the nature of their relationship with the other contracting party, along with their own assessment of the existence of a conflict of interest.

(3) If a member of the management board acts in violation of the duty referred to in paragraphs 1 and 2 of this Article, provisions of Article 248, paragraphs 2 and 3, of this Act shall apply accordingly.

Granting loans to members of the management board and procurators

Article 249

(1) The company may grant loans to members of the management board, procurators and members of their immediate families only based on a resolution of the supervisory board. Resolution may relate only to the specific loan contracts or types of loan and the loan contract shall be concluded no later than three months from the day the resolution approving the loan is made. The resolution shall specify the interest rate, and loan repayment. Other legal acts that in economic terms can be equated with the loan shall also be considered loan. The foregoing shall not apply to loans which do not exceed the amount of one month's salary of the member of the management board.

(2) The provisions of the previous paragraph of this Article shall also apply to the granting of loan by the parent company to such persons in the subsidiary company and to members of their immediate families as well as to the granting of loans by the subsidiary company to such persons in the parent company and to members of their immediate families. In such cases the resolution on granting the loan shall be passed by the supervisory board of the parent company.

(3) If the loan is granted in violation of the provisions of paragraphs 1 and 2 of this Article, it shall be repaid immediately, regardless of the provisions of the contract, unless the supervisory board subsequently makes a resolution approving granting of the loan.

Reports to the supervisory board

Article 250

(1) The management board shall report to the supervisory board on:

1. the business policy and other fundamental matters regarding the future management of business and deviations from previous forecast with an explanation of the reasons;
2. the profitability of the company's operations, in particular the profitability of the use of its own capital;
3. the course of business, in particular revenues, and the condition of the company;
4. transactions that could be of major significance for the profitability of business and liquidity of the company.

(2) If the company is a parent company within a group of companies, the report shall also encompass companies within the group.

(3) The supervisory board may also require from the management board to report on other matters that are significant for the business and the condition of the company.

(4) The management board shall submit a report on business policy at least once per year, unless a change of condition or new issues necessitate an immediate report; report on profitability of the company and the use of capital at the supervisory board meeting where annual financial statements are discussed; report on the course of business and on the condition of the company at least once quarterly; and report on transactions that could be of major significance for the

profitability of business and liquidity of the company in a timely manner to allow the supervisory board to take a position on them.

(5) Reports shall be drawn up conscientiously and truthfully. They shall be timely and, as a rule, in written form.

(6) The supervisory board may at any time request the management board to report on the matters related to the company's operations that significantly affect, or could reasonably be expected to affect, the position of the company. It may request submission of a report on the company's circumstances, legal and business relationships with affiliated companies. Any member of the supervisory board may also request that the management board submit the said report to the supervisory board. The management board shall be required to submit the requested report to the board.

(7) Each member of the supervisory board shall have the right to request that the report is made available for inspection. Unless the supervisory board has resolved otherwise, each one of its members shall be entitled, upon request, to a written copy of the report. Where the supervisory board so resolves, the report shall also be made available to members of the supervisory board commission for inspection pursuant to the said resolution. The chairperson of the supervisory board shall inform the members of the board of the report of the management board no later than at the first meeting of the supervisory board following the receipt of such report.

Annual report on the condition of the company

Article 250a

(1) Once a year the company's management board shall submit to the general meeting a report on the condition of the company in written form. A company deemed a small entrepreneur under accounting provisions shall not be obligated to draw up and submit the said report. The articles of association may provide that, in that case also, the management board is required to draw up and submit the said report.

(2) The annual report on the condition of the company shall accurately present at least the development and business result of the company and the company's financial situation, including a description of the principal risks and uncertainties to which it is exposed. It shall provide a balanced overview and a complete analysis of the development and business results and of the position of the company in accordance with the scope and complexity of its business. To the extent necessary for an understanding of the development, business results and financial position of the company, the analysis shall include financial and, where appropriate, other indicators concerning individual transactions, including information relating to protection of the environment and employees. Where so needed, the analysis shall include additional explanations of amounts stated in the company's annual financial statements.

(3) The report shall also present:

- a) all important business events that have occurred after the end of the business year;
- b) the company's likely development in the future;
- c) the company's activities in the field of research and development;
- d) the information concerning acquisitions of company's own shares;
- e) the existence of branches;
- f) data on the use of financial instruments and data important for assessing the state of company's assets, liabilities, financial position, profit and loss, the goals of management of financial risks and policies, including the policy of taking measures to protect against losses in certain significant types of forecasted transactions that are subject to separate accounting treatment, as well as the company's exposure to price risk, credit risk, liquidity risk and cash flow risk.

(4) A constituent part of the report for the company whose shares are admitted to trading on a regulated securities market is also the statement on application of the corporate governance code from Article 272p of this Act.

(5) The report from paragraph 1 of this Article shall be made available to the public on the company's website.

Consolidated annual financial statement of the company

Article 250b

- (1) The management board of a parent company with seat in the Republic of Croatia whose subsidiary companies have seat within or outside that country, shall submit to the general meeting a consolidated annual report of the company if one or more of its subsidiary companies are corporations.
- (2) The consolidated annual financial statement of the company shall accurately present at least the development and business result and the financial situation of companies included in the consolidation taken as a whole, with a description of the principal risks and uncertainties to which they are exposed. It shall provide a balanced overview and a complete analysis of the development, business results and financial position of the companies included in the consolidation taken as a whole in accordance with the scope and complexity of their business. To the extent necessary for an understanding of the development, business results and financial position of the companies, the analysis shall include financial and, where appropriate, other indicators concerning individual transactions, including information relating to protection of the environment and employees. Where so needed, the analysis shall include additional explanations of amounts stated in the consolidated annual financial statement.
- (3) In respect of those companies, the financial statement shall also present:
- a) any important business events that have occurred after the end of the business year;
 - b) the likely development of such companies in the future taken as a whole;
 - c) the activities of those companies taken as a whole in the field of research and development;
 - d) the number and par value, and if no-par-value shares are issued, the book value of all the shares of the parent company held by the parent company itself, by its subsidiary companies, or persons acting in their own name and for the account of these companies;
 - e) for all the companies encompassed by consolidation, data on the use of financial instruments and data important for assessing the states of their assets, their liabilities, financial position, profit and loss, the goals of management of financial risks and policies, including the policy of taking measures to protect against losses in certain significant types of forecasted transactions that are subject to separate accounting treatment, as well as their exposure to price risk, credit risk, liquidity risk and cash flow risk;
 - f) description of the main features of internal control of affiliated companies and the system of management of risks in respect of the procedure for preparing and drawing up consolidated financial statements when the securities of a particular company are admitted to trading on the regulated securities market; if the consolidated annual financial statement of the company and the annual report on the condition of the company are submitted as one, this information shall be included in the section of the report containing the statement on application of the corporate governance code.
- (4) When submission of consolidated annual financial statement of the company is required with the submission of the annual report on the condition of the company, these two reports may be submitted as one report. In the drawing up of such a report, greater emphasis may be put on what is important for the companies included in the consolidation taken as a whole.
- (5) As regards the statement on application of the corporate governance code, the provisions of Article 272p of this Act shall apply accordingly.
- (6) The report referred to in paragraph 1 of this Article shall be made available to the public on the company's website.

Duties of the management board in case of loss, over-indebtedness or insolvency

Article 251 (OG 34/22)

- (1) If, during the preparation of annual or other financial statements, or otherwise, it is established that the company has incurred a loss amounting to one half of the amount of its share capital, the management board shall immediately convene a general meeting and inform it thereof.
- (2) If the company is insolvent or overindebted, the management board shall, without delay and no later than three weeks after the occurrence of a reason that special act designates as grounds for the institution of bankruptcy proceedings, request the opening of such proceedings.
- (3) After the company becomes insolvent or overindebted, the management board may not make payments. The foregoing shall not apply to payments which, even after that, are made with the due care of a prudent businessman.

Due care and liability of members of the management board

Article 252 (OG 34/22)

(1) Members of the management board shall manage company's business with the due care of a prudent businessman and shall keep company's business secret. The member of the management board does not act contrary to the obligation regarding the manner of managing company's business if, when taking an entrepreneurial decision, they can reasonably assume, based on adequate information, that they are acting in the best interest of the company.

(2) Members of the management board who violate their obligations shall be liable to the company for damage as joint and several debtors. In the event of a dispute, they shall bear the burden of proving that they have applied due care of a prudent businessman.

(3) The members of the management board shall in particular be liable for damages if, contrary to this Act:

1. return to shareholders what they have contributed to the company;
2. pay interest or dividends to shareholders;
3. subscribe, acquire, take as a pledge or withdraw own shares of the company or some other company;
4. issue shares before the full amount for which they were issued has been fully paid;
5. distribute the company's assets;
6. make payments after the company has become insolvent or overindebted;
7. give remuneration to members of the supervisory board;
8. credit is extended;
9. in connection with a conditional capital increase, new shares are issued other than for the specified purpose or prior to full payment of the consideration.

(4) The member of the management board shall not be liable to the company for damages if they acted pursuant to a resolution of the general meeting. Liability for damages shall not be precluded by the fact that the supervisory board has approved the act. The company may waive or compromise a claim for damages upon the expiry of three years after the claim has arisen, provided that the general meeting consents thereto and no minority whose aggregate holding amounts to at least one tenth of the share capital records an objection in the minutes. The foregoing period of time shall not apply if the person liable for damages is insolvent and enters into a settlement with their creditors in order to avoid bankruptcy proceedings or if their liability for damages is regulated in a bankruptcy plan.

(5) The claim of the company for damages may also be asserted by the company's creditors if they are unable to obtain satisfaction from the company. However, in cases other than those set out in paragraph 3 of this Article, the foregoing shall apply only if the members of the management board have grossly breached the duty of care of a prudent businessman. Liability for damages to the creditors shall be extinguished neither by a waiver nor by a compromise of the company nor by the fact that the act which caused the damage was based on a resolution of the general meeting. If bankruptcy proceedings have been instituted over the company's assets, the bankruptcy administrator, or the creditors in bankruptcy according to the rules of bankruptcy, shall exercise the rights of the creditors against the members of the management board during the course of such proceedings.

(6) Claims under the foregoing paragraphs of this Article shall be statute barred after the expiry of a period of five years.

Deputies of members of the management board

Article 253

The provisions relating to members of the management board shall also apply to their deputies.

Section 2 Supervisory board

Number of members of the supervisory board

Article 254 (OG 114/22)

- (1) The supervisory board shall comprise at least three members. The articles of association may provide for a specified higher number, which shall be an odd number.
- (2) The maximum number of members of the supervisory board for companies with a share capital of:
- up to EUR 1,500,000.00, shall be 9,
 - between EUR 1,500,000.00 to EUR 10,000,000.00, shall be 15,
 - more than EUR 10,000,000.00, shall be 21.

Eligibility for supervisory board membership

Article 255 (OG 40/19, 18/23, 130/23, 136/24)

- (1) Member of the supervisory board can be a natural person with full legal capacity. The articles of association may stipulate the requirements that a person must comply with in order to be appointed to the supervisory board.
- (2) A member of the supervisory board may not be:
1. member of the management board of the company;
 2. member of the supervisory board or the board of directors in ten companies;
 3. member of the management board or the executive director of a subsidiary of the public limited company;
 4. member of the management board or the executive director of another corporation whose supervisory board or board of directors includes a member of the management board of the company;
 5. a person who does not meet the requirements from Article 239, paragraph 2, of this Act.
- (3) Membership in the supervisory board shall cease by law if, following the resolution on the election or appointment of a member of the supervisory board, the circumstances prescribed by law arise on their part that would have, had they existed at the time of the resolution, prevented the election or appointment. The member of the supervisory board whose membership has ceased after being convicted by a final court judgment or becoming subject to international restrictive measures regarding the disposal of assets is obliged to inform the company thereof without delay. Members of the management board and the chairperson of the supervisory board, or only the members of the management board if the person in question is the chairperson of the supervisory board, are obliged without delay upon learning of such circumstances submit to the court of registration an application for registering the termination of that person's membership in the supervisory board. If the court of registration, applying accordingly Article 68, paragraph 6, of this Act, learns that such circumstances have arisen, it shall ex officio register the termination of that person's membership in the supervisory board in the court register, and inform the company thereof.
- (4) The articles of association may stipulate special conditions for members of the supervisory board elected by the general meeting, except such members elected based on the proposal pursuant to a special act.
- (5) In companies whose shares are traded on a regulated market, at least one member of the supervisory board shall have expertise in the field of accounting or audit of financial statements.
- (6) In companies whose shares are traded on a regulated market, at least one member of the supervisory board shall be independent of the company, affiliated company, their shareholders and members of the management board. A member of the supervisory board is not independent:
- if in the last three years they were a shareholder of a company whose shares represent or have represented at least one-twentieth part of the company's share capital, or a shareholder who, acting alone or jointly with other shareholders, could or did have directly or indirectly a dominant influence in the company,
 - if in the last three years they were a shareholder or member of an affiliated company, whereby their shares or business shares represent or have represented at least one-twentieth part of the share capital of the affiliated company, or acting alone or jointly with other shareholders or members, could or did have directly or indirectly a dominant influence in the affiliated company,

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- if in the last three years they were a member of the company's management board or a member of the management board of an affiliated company,
- if in the last three years they were appointed as an employee representative on the supervisory board of the company or an affiliated company,
- if in the last three years, apart from remuneration based on the membership in the supervisory board, they realised some other income from a business relationship with the company or an affiliated company,
- if in the last three years they were a member of the management board of a company that, from a business relationship with the company or an affiliated company, in the last three years realized more than ten percent of the total revenue of that period, or in the last three years they were a shareholder or member of that company with shares or business interests representing at least one-twentieth part of the share capital, or acting alone or jointly with other shareholders or members, he could have had directly or indirectly dominant influence in that company,
- if they are a spouse, a blood relative or an in-law relative in the direct line without limitation, a blood relative or an in-law relative in the collateral line up to the fourth degree, an adopter, an adoptee, or a common-law spouse or registered life partner of some of the persons referred to in subparagraphs 1 to 6 of this paragraph, or is in such a relationship with another member of the supervisory board of the company or an affiliated company if that member cannot be considered an independent member of that board,
- if in the last three years they were a partner or employee in an audit company that carries out or has carried out in the last five years an audit in a company or an affiliated company or provided audit or other services to a company or an affiliated company,
- if in the last three years they were an employee of a company or an affiliated company,
- if they were a member of the supervisory board of a company or a member of the supervisory board or board of directors of an affiliated company for more than 12 years,
- if based on other relationships and circumstances that exist in connection with the company or an affiliated company, there is reasonable suspicion that the member is not independent.

Election and appointment of members of the supervisory board

Article 256

- (1) The members of the supervisory board shall be elected by the general meeting of the company.
- (2) The articles of association may provide that certain shareholders appoint a specific number of members to the supervisory board. Where provided for by a special act, the articles of association shall determine the number of members of the supervisory board appointed by employees.
- (3) The right to appoint members of the supervisory board may be granted only to certain shareholders or the current holders of specific shares. The holders of specific shares may be granted the right, through the articles of association, to appoint members to the supervisory board if the transfer of these shares requires the consent of the company. Such shares do not constitute a special class of shares. Shareholders may appoint no more than one third of the supervisory board's members.
- (4) If there is an obligation to ensure balanced representation of women and men on the supervisory board, the management board shall inform each shareholder who has the right to appoint a member of the supervisory board and the works council of the existence of this obligation. If a works council has not been established in the company, the management board shall inform the employees of the existence of this obligation in an appropriate manner in the procedure for direct election of their representative on the supervisory board.
- (5) The deputies of members of the supervisory board cannot be elected.

Appointment of members of the supervisory board by the court

Article 257

If the supervisory board lacks the number of members needed to make decisions, the missing numbers shall be appointed by the court at the request of the management board, a member of the supervisory board or a shareholder. The management board shall be obliged to submit such a request to the court without delay, unless it is expected that

the number of members of the supervisory board will be completed in time for the next meeting of that board. If the court appoints a member of the supervisory board in a company in which there is an obligation to have a balanced representation of women and men on the supervisory board, the court will take such representation into account when making the appointment.

Term of office of members of the supervisory board

Article 258

The members of the supervisory board shall be elected or appointed, for a term of no longer than four years and may be re-elected or reappointed. Unless the resolution on the election or the statement on the appointment provides otherwise, the term of office of a member of the supervisory board shall start with the day the resolution is made or the statement is given, regardless of registration in the court register.

Removal of members of the supervisory board

Article 259

(1) Members of the supervisory board may be removed by the general meeting prior to the expiry of the term of office for which it has been elected. The resolution on that shall require a majority of at least three quarters of the votes cast. The articles of association may provide that a larger majority is required for this and may also require the fulfilment of additional requirements.

(2) A member of the supervisory board who has been appointed to the supervisory board may at any time be removed by the person who appointed them and replaced by another person. If the requirements for the appointment of a member of the supervisory board, specified by the articles of association, are no longer fulfilled, the general meeting may remove the appointed member by a simple majority of votes.

Removal of members of the supervisory board by the court

Article 260 (OG 114/22)

At the request of the supervisory board or shareholders who have shares representing at least one tenth of the company's share capital or at least EUR 1,000,000.00 of that capital, the court shall remove a member of that board if there is an important reason for it. The supervisory board shall resolve on submitting such request by simple majority. If it is a member which has been appointed to the supervisory board, the request to the court may also be submitted by shareholders who have shares representing at least one tenth of the company's share capital or at least EUR 1,000,000.00 of that capital.

Resignation of a member of the supervisory board

Article 260a

(1) The chairperson and a member of the supervisory board may resign. A resolution of the general meeting is not needed for the termination of membership in the supervisory board.

(2) Resignation shall be declared in written form to the company in writing and, unless it provides otherwise, shall become effective as of the day it has been given. The company's management board is obliged to immediately notify all members of the supervisory board thereof.

(3) The resignation given by the elected member of the supervisory board may be withdrawn only with the consent of the general meeting, and the resignation given by the appointed member of the supervisory board only with the consent of the person who appointed them.

Incompatibility of membership in the management board and the supervisory board of the company

Article 261

(1) A member of the supervisory board may not at the same time be a member of the management board, a permanent deputy of the member of the management board, procurator or proxy holder of the company.

(2) The supervisory board may, at most for a period it determines in advance, but no longer than one year, appoint some of its members as deputies for members of the management board who are absent or unable to perform their function.

The supervisory board may appoint its same members again, provided that their term does not last in total more than one year. During the time a supervisory board member is performing duties in the company's management board, they may perform the function of a member of the supervisory board. For such appointed deputies of a member of the management board, the prohibition from Article 248 of this Act shall not apply.

Registration in the court register and publication of changes in the supervisory board

Article 262

(1) The management board and the chairperson of the supervisory board shall, without delay, publish any change in the composition of the supervisory board in the same manner as company announcements are published, and within a prescribed time limit, submit to the court of registration an application for registration of the change in the court register.

(2) The resolution on the removal of a member of the supervisory board or their resignation and the resolution on the election or the appointment of a new member, in the original or officially certified copy and the statement of the new member whereby they accept their election or appointment, in the original or officially certified copy, as well as the data regarding date of appointment or election, resignation or removal, shall be attached to the application referred to in paragraph 1 of this Article.

Competences of the supervisory board

Article 263

(1) The supervisory board shall supervise the management of the company's business.

(2) The supervisory board may inspect and examine business books and documentation of the company, cash holdings, securities and other items. For this purpose, the supervisory board may use its individual members or experts. The supervisory board shall instruct the auditor to audit the annual financial statements of the company and of the group of companies.

(3) The supervisory board shall submit to the general meeting a written report on the performed supervision referred to in paragraph 1 of this Article. The said report shall in particular state whether the company complies with the law, the company's acts and the resolutions of the general meeting; whether the annual financial statements have been prepared in accordance with the company's business books and whether they accurately reflect the company's assets and business condition of the company; and the position it has on the proposal of the management board concerning the distribution of profit and the covering of losses in the company. Members who disagree with the report, in part or in full, shall be obliged to submit their remarks to the general meeting in written form.

(4) The supervisory board may convene a general meeting. It shall do so when necessary for the well-being of the company. Supervisory board shall make a resolution on that by a simple majority of votes.

(5) Management of the company's business may not be transferred to the supervisory board. The articles of association or the supervisory board may determine that certain types of transactions may be performed only with the prior consent of the supervisory board. If the supervisory board refuses to grant consent, the management board may request that a general meeting grant the necessary consent. The resolution of the general meeting granting consent shall be adopted by a majority of at least three quarters of the votes cast. The articles of association may not stipulate that a larger majority is required, nor may they require the fulfilment of additional conditions.

Transactions with related persons

Article 263a (OG 40/19, 130/23)

(1) Transactions with related persons are legal transactions and actions:

1. by which an object or some other economic value is, for consideration or free of charge, disposed of, encumbered or made available for use; and
2. which are undertaken with related parties within the meaning of the second sentence of this paragraph.

Related persons are related parties, i.e. persons within the meaning of the International Financial Reporting Standards adopted by Commission Regulation (EC) No 1126/2008 of 3 November 2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council (OJ L 320, 29.11.2008, p. 1) as amended from time to time. Omission to act is not a transaction within the meaning of the first sentence of this paragraph.

(2) Unless the articles of association provide otherwise, transactions with related persons within the meaning of Article 264 and Articles 263a to 263c of this Act are not regular transactions of the company that it undertakes with related persons under customary market conditions. A company whose shares are admitted to trading on a regulated market shall carry out an internal procedure in order to regularly verify whether it has engaged in transactions with related persons in accordance with the first sentence of this paragraph. The related persons must not participate in such verifications.

(3) Transactions with related persons within the meaning of Article 264 and Articles 263a to 263c of this Act are not:

1. transactions with subsidiaries within the meaning of the International Financial Reporting Standards adopted by Commission Regulation (EC) No 1126/2008 of 3 November 2008 if the company is directly or indirectly their sole member or if no person unrelated to the company in those subsidiaries is a member, directly or indirectly, or if the subsidiaries have their seat in a European Union Member State, and their shares are admitted to trading on a regulated market situated or operating in a Member State within the meaning of Article 4, paragraph 1, point 21 of Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (OJ L 173, 12.6.2014, p. 349, L 74, 18.3.2015., p. 38; L 188, 13.7.2016, p. 28; L 273, 8.10.2016, p. 35; L 64, 10.3.2017., p. 116), as last amended by Directive (EU) 2016/1034 (OJ L 175, 30.6.2016, p. 8);

2. transactions which require consent or approval of the general meeting of the company;

3. all transactions and actions which are undertaken on the basis of the consent or approval of the general meeting of the company, and in particular:

a) actions related to the increase or reduction of the share capital (Articles 304 to 354 of this Act), entrepreneurial contract (Articles 479 to 492 of this Act) and transactions conducted on the basis of these contracts;

b) transfer of the entire assets of the company or structural changes referred to in Article 552 of this Act;

c) acquisition of own shares in accordance with Article 233, paragraph 1, of this Act;

d) contracts subject to the rules on continuation of formation referred to in Article 194a of this Act;

e) transfer of minority shareholders' shares in accordance with Articles 300f to 300k of this Act;

f) transactions within the framework of merger by acquisition, merger by formation, division and conversion in accordance with this Act;

4. transactions relating to remuneration of members of the management board or members of the supervisory board in accordance with Article 247a, paragraph 2 and Article 269, paragraph 3, of this Act;

5. transactions concluded by a credit institution on the basis of measures aimed at protecting its stability and which were adopted or approved by a competent authority entrusted with prudential supervision within the meaning of the European Union law;

6. transactions offered to all shareholders under equal conditions.

Prior consent of the supervisory board for transactions with related persons

Article 263b (OG [40/19](#), [130/23](#), [136/24](#))

(1) The supervisory board of the company whose shares are admitted to trading on a regulated market or the commission appointed in accordance with Article 264, paragraph 3, of this Act, shall previously give consent to transactions that the company undertakes with related persons if the value of that transaction, independently or together with other transactions that the company has undertaken with a related person within the current financial year before that transaction is undertaken, exceeds 1.5% of the sum of the non-current and current assets established by the last annual financial statements. Non-current and current assets shall be determined in accordance with the regulations on accounting that are in force at the time of application.

(2) When making a decision in accordance with paragraph 1 of this Article, a member of the supervisory board who is a related person with whom the company undertakes transaction, or is a person with respect to whom there is a suspicion that he or she is in a conflict of interest based on his or her relationship with related persons, shall be deprived of the right to participate in the work of that board or commission, including the right to chair the meeting, the right to discuss

and the right to vote. A member of the supervisory board or a member of the commission shall be obliged to inform the remaining members of the supervisory board or commission of the existence of these circumstances in a timely manner.

(3) If the company, as a parent company, is required to establish the consolidated annual financial statement in accordance with Article 250b of this Act, instead of the sum of the non-current and current assets established by the last annual financial statements of the company, the sum of the non-current and current assets of the group of companies established by the last consolidated financial statements of the parent company of the group shall be taken into account.

(4) If the supervisory board refuses to grant the prior consent to a transaction with related persons, the management board may require that the resolution of the general meeting substitutes the prior consent of the supervisory board. A shareholder is excluded from the right to vote when voting on that resolution, regardless of whether exercising it in their own name or in the name of another, if they are also a related person with whom the company undertakes transactions.

Disclosure of transactions with related persons

Article 263c (OG 40/19, 130/23)

(1) Companies whose shares are admitted to trading on a regulated market shall, without delay, disclose transactions with related persons for which consent is required in accordance with Article 263b of this Act on their website. This obligation also encompasses transactions which shall, together with the transaction which requires consent, be taken into account for the purpose of calculation of the value under Article 263b of this Act.

(2) Announcement must be made in a manner that ensures the public has easy access to data. The announcement shall contain all essential information required for assessing whether the transaction is appropriate from the point of view of the company and shareholders who are not related persons. The content of the announcement within the meaning of the previous sentence shall include at least information about the nature of the relations with the related person, names of related persons, the date and the value of the transaction. The announcement on the website of the company shall be accessible to the public for at least five years.

(3) If transactions with a related person represent inside information in accordance with the provision of Article 17 of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (Market Abuse Regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC, as last amended by Regulation (EU) 2016/1033, the data required under paragraph 2 of this Article shall be included in the announcement in accordance with the provision of Article 17 of Regulation (EU) No 596/2014. In that case, there is no obligation according to the provision of paragraph 1 of this Article. The provisions of Article 17, paragraphs 4 and 5 of Regulation (EU) No 596/2014 shall apply accordingly.

(4) If the issuer is a parent company within the meaning of the International Financial Reporting Standards adopted by Regulation (EC) No 1606/2002, the provisions of paragraphs 1 to 3 of this Article shall also apply accordingly to transactions undertaken by subsidiary with related persons of the parent company, if those transactions, if undertaken by the parent company, would require consent in accordance with the provisions of Article 263b, paragraphs 1 to 3 of this Act.

Article 263d (OG 40/19, 130/23)

Deleted Annual reporting on transactions with related persons

Article 263e (OG 136/24)

The management board or executive directors of a company are required to make a report on transactions with related persons once a year within the meaning of the provisions of Article 263a of this Act. The report must also additionally include regular transactions of the company that it undertakes with related persons under customary market conditions. The provisions of Articles 497 to 502 of this Act shall apply accordingly to the making of the report, its audit and examination by the supervisory board or board of directors. If the management board or executive directors of a company are also required to make a report under Article 497 of this Act, the reports may be consolidated.

Mode of operation of the supervisory board

Article 264 (OG 40/19, 130/23)

(1) The supervisory board shall elect from among its members a chairperson and at least one deputy chairperson. The management board shall submit to the court of registration an application for registration of the persons elected in the court register. The deputy chairperson shall have the rights and duties of the chairperson only if the latter is prevented from performing their function.

(2) Minutes shall be kept of the meetings of the supervisory board which shall be signed by the chairperson or deputy chairperson that chaired the meeting. The minutes shall state the place and date of the meeting, the agenda, the essential contents of the discussion held, and the resolutions rendered. Each member of the supervisory board must, upon request, be granted access to the minutes. Failure to comply with the aforementioned obligations of the supervisory board shall not result in resolutions taken at the meeting having no effect.

(3) The supervisory board may appoint commissions for the purposes of preparing its resolutions and supervision their execution. Commissions may not resolve matters falling within the competence of the supervisory board. The supervisory board of a company whose shares are admitted to trading on a regulated market may appoint a commission which decides on granting prior consent in accordance with Article 263b, paragraph 1, of this Act. Related persons engaged in transaction in the sense of Article 263a, paragraph 1, second sentence of this Act may not members of such commission. The majority of the members of the commission may not be persons with respect to whom there is a suspicion that they are in a conflict of interest based on their relationship with related persons. Commissions are required to report regularly on their activities to the supervisory board.

Convening of meetings

Article 265

(1) Each member of the supervisory board or the management board may, upon stating the grounds and the purpose thereof, request that the chairperson convenes a meeting of the board. The meeting shall be held within 15 days from when it was convened.

(2) If any such request is not complied with, the member of the supervisory board or the management board may himself/herself convene a meeting of the supervisory board upon stating the grounds for convening and the agenda of the meeting.

(3) Meetings of the supervisory board should, as a rule, be convened once every three months and shall be convened at least once every half year.

Attendance at the supervisory board meetings

Article 266

(1) Persons who are not members of the supervisory board or the management board may not attend meetings of the supervisory board. Rapporteurs and advisors for individual issues which are decided upon may be invited to the meeting.

(2) Members of the supervisory board may attend meetings of each commission of that board, although they not their members, unless the chairperson of the commission determines otherwise.

(3) The articles of association may provide that, in the work of a supervisory board meeting, a person who is not a member of the board may attend in lieu of a member which is prevented to attend, if they receive written power of attorney for it from the member prevented to attend.

Passing of resolutions in the supervisory board

Article 267

(1) Unless this Act provides otherwise, the supervisory board may pass resolutions if the conditions set forth in the articles of association have been met. If the articles of association do not provide for this, the supervisory board may pass resolutions if at least one half of the prescribed number of its members take part in the passing of the resolution, but not less than three. The supervisory board may validly pass resolutions even if the number of its members prescribed by law or the articles of association has not been elected, provided that at least as many members have been elected as are required so that it may, based on the law or the articles of association, validly pass resolutions.

(2) Unless otherwise provided by the articles of association, resolutions of the supervisory board shall be taken by a majority of the votes cast.

(3) Members of the supervisory board who are absent may take part in the passing of resolutions by casting their votes in writing. The vote may be cast in writing through another member of the supervisory board or the person referred to in Article 266, paragraph 3, of this Act.

(4) A vote in the supervisory board or its commission may be cast by letter, telephone, telegraph, telefax and by using other for that appropriate technical means, if no member of the supervisory board or commission objects, unless otherwise provided by their by-laws.

Nullity of resolutions of the supervisory board

Article 267a (OG 130/23)

(1) In addition to the provisions on nullity of the resolution establishing annual financial statements, a resolution of the supervisory board shall be null:

1. if its content is contrary to the Constitution of the Republic of Croatia, mandatory norms, society's moral standards or the mandatory provisions of the articles of association; or
2. if a serious violation of rules of procedure which cannot be remedied by the supervisory board or by the passage of time was committed upon its adoption, or the decisive vote for adopting a decision was casted as a result of coercion applied to a member of the supervisory board.

(2) The court shall observe the nullity of the resolution ex officio, and any interested party may invoke it.

(3) In addition to the provisions on voidability of the resolution on the removal of appointment of a member or chairperson of the management board, the resolution of the supervisory board shall be voidable:

1. if a minor violation of the procedure which can be remedied by the supervisory board or by the passage of time was committed upon its adoption, if despite the due care of the supervisory board member had a decisive impact on the adoption of the resolution; or
2. if the decisive vote for adopting a decision was casted as a result of justified fear caused by an impermissible threat, in a fundamental mistake, because of a misunderstanding of the legal nature of the resolution or some of its substantial constituent element, or because of a fraud.

(4) Each member of the supervisory board may, within eight days from the conclusion of the supervisory board meeting at which the resolution referred to in paragraph 3 of this Article was passed, file an objection with the chairperson of the supervisory board in a written form, state the reasons why they consider the resolution to be voidable and request that the supervisory board withdraws it. If the objection is not considered or the request is rejected at the next meeting of the supervisory board, the member of the supervisory board who filed an objection may, within 30 days of the conclusion of the meeting, file a lawsuit with the court referred to in Article 40, paragraph 1, of this Act, and request that the adopted resolution is nullified. Within the mentioned time limits and under the same conditions, the management board of the company may also file an objection, request the withdrawal of a resolution or file a lawsuit, if it has legal interest to do so.

Representation of the company against members of the management board

Article 268

The supervisory board shall represent the company against the management board.

Remuneration for the work of members of the supervisory board

Article 269 (OG 40/19, 130/23)

(1) The members of the supervisory board may be, for their work, paid remuneration, which may also be determined by participation of the member of the board in the company's profits. Remuneration shall be determined by the articles of association and may also be approved by the general meeting. Remuneration shall be appropriate in relation to the duties performed by the member of the supervisory board and the condition of the company. If the remuneration is determined by the articles of association, the general meeting may, by simple majority, render a decision on an amendment to the articles of association by which such remuneration is reduced.

(2) Remuneration for the work of the members of the first supervisory board may be approved only by the general meeting, at the same time when it decides on giving clearance to the members of that board.

(3) Companies whose shares are admitted to trading on a regulated market must, at least every four years, resolve on the remuneration of members of the supervisory board. A resolution on remuneration confirming the previous resolution is

allowed; for the remaining part, the provision of paragraph 1, second sentence of this Article shall apply. The resolution shall, in a clear and understandable manner, contain data or refer to the data specified from Article 247a, paragraph 1, second sentence of this Act. The data need not be stated in articles of association when they determine the remuneration of members of the supervisory board. The resolution shall not be voidable if rules referred to in the provision of the third sentence of this paragraph are violated. Provisions of Article 276a, paragraphs 2 and 3, of this Act shall apply accordingly.

Contracts with members of the supervisory board

Article 270

- (1) For all contracts which a member of the supervisory board concludes with the company outside of the board member's work shall require the consent of the supervisory board.
- (2) A member of the supervisory board which concludes a contract with the company without the consent of that board, shall be obliged to return to the company everything they received from the company under that, unless the supervisory board subsequently grants consent for such contract.

Granting loan to members of the supervisory board

Article 271

- (1) The company may grant loans to members of the supervisory board and members of their immediate family only with the approval of the supervisory board. Such approval may be granted only for specific loan transactions or specific types of such transactions and the contract shall be concluded no later than three months from the day on which the resolution of the supervisory board granting approval for the transaction was passed. The approval shall specify the interest rate and loan repayment. Other legal transactions that in economic terms can be equated with the loan shall also be considered loan.
- (2) The provisions of paragraph 1 of this Article shall also apply when the parent company grants a loan to members of the supervisory board of a subsidiary company or members of their immediate families as well as when the subsidiary company grants a loan to members of the supervisory board of the parent company or to members of their immediate families. In the foregoing cases the granting of loan shall be approved by the supervisory board of the parent company.
- (3) If the loan is granted in violation of the provisions of paragraphs 1 and 2 of this Article, it shall be repaid immediately, regardless of the provisions of the contract, unless the supervisory board subsequently makes a resolution approving granting of the loan.

Due care and liability of members of the members of the supervisory board

Article 272

- (1) Members of the supervisory board shall act in the interest of the company. The provisions of Articles 252, 273 and 273a of this Act shall apply accordingly to the duty of supervisory board members to perform the board's tasks with due care and to their liability. Supervisory board members are particularly obliged to keep as a business secret everything they learn from confidential reports and consultations given in the company.
- (2) The obligation referred to in paragraph 1 of this Article shall apply to reports and acts containing advice if they are designated as a business secret.

Section 2a BOARD OF DIRECTORS

Choice of company organisation

Article 272a

The articles of association may provide that a company shall have a board of directors instead of a management board and a supervisory board.

Composition of the board of directors

Article 272b (OG 18/23, 130/23)

(1) The board of directors shall be comprised of at least three members. The articles of association may provide for a specified higher number. If pursuant to law the supervisory board must include among its members a representative of employees, the same shall apply to the representative of employees sitting on the board of directors. The provision of Article 254 of this Act shall apply accordingly to the determination of the number of members of the board of directors.

(2) The provisions of Article 255 of this Act shall apply accordingly to the personal qualifications of members of the board of directors. In respect thereof, the company bodies referred to in the said Article shall also be deemed to include the board of directors. The provision of the said Article on the termination by law of membership in the supervisory board shall apply accordingly.

Election, appointment and term of office of members of the board of directors and their relationship to the company

Article 272c

(1) The provisions of Article 256 of this Act shall apply accordingly to the election and appointment of members of the board of directors.

(2) Members of the board of directors shall be elected or appointed for a period specified in the articles of association, which period, however, shall not exceed six years. They may be re-elected or re-appointed. The provision of the second sentence of Article 258 of this Act shall apply accordingly.

(3) The provisions of Articles 269 to 271 of this Act shall apply accordingly to remuneration of members of the board of directors for their services, the contracts concluded between the company and members of the board of directors, and credit extended by the company to members of the board of directors.

Judicial appointment of members of the board of directors

Article 272d

(1) The provisions of Article 257 of this Act shall apply accordingly to the judicial appointment of members of the board of directors. The motion to the court referred to in Article 257 of this Act may be made by any member of the board of directors or shareholder and must be made by the company's executive directors. If the board of directors includes or must include a representative of employees, the motion may also be made by the works council.

(2) If for a period of more than three months the board of directors comprises fewer members than the number prescribed by law or the company's articles of association, the court shall make the necessary appointments upon motion by any of the persons referred to in the previous paragraph of this Article. In urgent cases, the court shall make such appointments upon motion of any of the aforementioned persons even before the expiry of the said period.

(3) The office of a judicially appointed member of the board of directors shall terminate as soon as the term of office of the member elected or appointed pursuant to the company's articles of association in order to fill the vacancy in question commences.

(4) The judicially appointed member of the board of directors shall be entitled to reimbursement of costs incurred by them in performing their duties and to remuneration for their services if such remuneration is paid to members of the board of directors. Upon motion by the member in question, the court shall fix the amount of costs and remuneration. Enforcement proceedings may be carried out on the basis of a court decision.

Removal of members of the board of directors

Article 272e

The provisions of Articles 259 and 260 of this Act shall apply accordingly to the removal of members of the board of directors.

Resignation of members of the board of directors

Article 272f

The provisions of Article 260a of this Act shall apply accordingly to the resignation of members of the board of directors.

Registration in the court register and publication of changes in the board of directors and executive directors

Article 272g

(1) The provisions of Article 262 of this Act shall apply accordingly to the registration in the court register and the publication of changes in the company's board of directors. Such application for registration shall be submitted and such changes published by all executive directors and the chairperson of the board of directors.

(2) The provisions of Article 245a of this Act shall apply accordingly to the registration of a change in the executive directors. Such application for registration shall be submitted by all executive directors and the chairperson of the company's board of directors.

Competence of the board of directors

Article 272h (OG 40/19, 130/23)

(1) The board of directors shall manage the company, set the foundations for the performance of the company's objects, supervise the management of the company's operations, and represent the company as against the company's executive directors. The board of directors of a company whose shares are admitted to trading on a regulated market shall decide on the remuneration policy of executive directors. The provision of Article 247a of this Act shall apply accordingly. When the board of directors resolves on the remuneration policy of executive directors and represents the company as against an executive director, none of the company's executive directors may take part therein.

(2) The board of directors shall convene a general meeting whenever the interests of the company so require. A simple majority shall suffice for such resolution. The board of directors may confer certain duties relating to the preparation and the conduct of a general meeting upon the executive directors.

(3) The board of directors shall ensure that the company's books are properly maintained. It shall take all appropriate measures of systematic supervision of the company's management providing for the timely detection of circumstances threatening the company and its business. The provisions of Articles 250a, 250b and 263, paragraph 2, of this Act shall apply accordingly.

(4) The provisions of Article 251 of this Act shall apply accordingly to the duties of the board of directors in the event of losses, insolvency and overindebtedness of the company.

(5) The provisions of Articles 300a to 300e of this Act shall apply accordingly to the preparation and establishing of annual financial statements. However, any reference in the said provisions to the company's management board shall be construed as a reference to the executive directors, and any reference in the said provisions to the supervisory board shall be construed as a reference to the board of directors. The articles of association may provide that the annual financial statements shall be established by the general meeting.

(6) Provisions of Articles 263a to 263c of this Act shall apply accordingly to transactions with related persons.

Mode of operation of the board of directors

Article 272i

(1) The board of directors shall elect from among its members a chairperson and at least one deputy chairperson in accordance with the applicable provisions of the articles of association. Current executive directors of the company may not be elected as the chairperson or first deputy chairperson of the board of directors.

(2) The board of directors may adopt its by-laws. The articles of association may make binding provisions in respect of certain matters relating to the mode of operation of the board of directors.

(3) The provisions of Article 264, paragraph 2, of this Act shall apply accordingly to the keeping of minutes of the meetings of the board of directors and to the rights of board members in relation thereto.

(4) The provisions of Article 264, paragraph 3, of this Act shall apply accordingly to the appointment of committees of the board of directors and their powers.

Convening of, attendance of, and passing of resolutions at the meetings of the board of directors

Article 272j (OG 130/23, 136/24)

(1) The provisions of Article 265 of this Act shall apply accordingly to the convening of meetings of the board of directors.

(2) The provisions of Article 266 of this Act shall apply accordingly to the attendance of meetings of the board of directors.

(3) The provisions of Article 267 of this Act shall apply accordingly to the passing of resolutions by the board of directors.

(4) Members of the board of directors who are also the company's executive directors shall not take part in resolving on the appointments and removal of appointments of executive directors, the responsibilities of executive directors and their relationship to the company as well as the objectives of balanced representation of women and men among executive directors. Members of the board of directors who are executive directors shall not be taken into account when determining quorums or the majorities required for the passing of resolutions on such matters.

(5) The provisions of Article 267a of this Act shall apply accordingly to the nullity of the resolutions of the board of directors.

Due care and liability of members of the board of directors

Article 272k

The provisions of Article 272 of this Act shall apply accordingly to the due care and liability of the members of the board of directors.

Executive directors

Article 272l (OG 18/23, 130/23)

(1) The board of directors shall appoint one or more executive directors for a term of office set pursuant to the articles of association. Such term, however, shall not exceed six years. If more than one person is appointed as executive director, the board of directors shall appoint one executive director as chief executive director. The provision of the second sentence of Article 244, paragraph 1, of this Act shall apply accordingly. Deputy executive directors may be appointed, whereto the provisions relating to deputy members of the management board shall apply. Members of the board of directors may also be appointed as executive directors provided, however, that the majority of the members of the board of directors be non-executive directors. An application for registration in the court register shall be submitted for the appointment of executive directors. If persons who are not members of the board of directors are appointed as executive directors, the said persons shall fulfil the requirements referred to in Article 239, paragraph 2, of this Act. The articles of association may also provide for other properties of persons appointed as executive directors and stipulate in more detail the appointment procedure to be applied by the board of directors. The capacity of the executive director shall cease by law if, following the resolution on their appointment the circumstances prescribed by law referred to in Article 239, paragraph 2, of this Act arise that would have, had they existed at the time of the resolution, prevented their appointment. The executive director whose capacity has ceased after being convicted by a final court judgment or becoming subject to international measures restricting the disposal of assets shall inform the company thereof without delay. The other executive directors and the chairperson of the board of directors shall, immediately after learning of the fact that the capacity of an executive director has ceased, submit to the court of registration an application for registering the termination of their capacity as executive director. If the court of registration, when applying accordingly Article 68, paragraph 6, of this Act, learns that circumstances have arisen which terminate the capacity as executive director, it shall register the termination of the capacity as executive director of that person in the court register ex officio, and inform the company in question thereof.

(2) The executive directors shall manage the company. If more than one person has been appointed as executive director, such persons shall be authorised to manage the company only jointly. The articles of association or the by-laws on the operation of the executive directors adopted by the board of directors may provide otherwise. The powers conferred by law upon the board of directors may not be transferred to executive directors. The provisions of this Act on the submission of applications for registration in the court register and the submission of relevant documents by the members of the company's management board shall apply accordingly to executive directors.

- (3) The management of the company's operations in affiliated companies by the executive directors and the executive directors' powers, duties and liabilities in relation thereto shall be governed by the applicable provisions of this Act relating to the company's management board, unless the provisions on the executive directors stipulate otherwise. The provisions of Article 242 of this Act shall apply accordingly.
- (4) If upon preparation of the annual or periodic financial statements or in the exercise of free assessment by the executive directors it becomes apparent that the company has incurred a loss equal to one half of the share capital, the executive directors shall advise the chairperson of the board of directors thereof without delay. The foregoing shall also apply where the company has become insolvent or overindebted.
- (5) If the company has more than one executive director, the executive directors may issue by-laws on their operation, unless the articles of association confer the authority to issue such by-laws upon the board of directors or the board of directors issues such by-laws. The articles of association may make binding provisions in respect of specific matters relating to the executive directors that are otherwise regulated by the by-laws. Resolutions of the executive directors on the issuance of by-laws on their operation shall require a unanimous vote.
- (6) Unless the articles of association provide otherwise, the executive directors may at any time be removed by a resolution of the board of directors. This shall be without prejudice to the agreement entered into by the executive directors and the company.
- (7) Unless the articles of association or the by-laws provide otherwise, the executive directors shall inform the board of directors pursuant to the provisions of Article 250 and prepare the reports referred to in Articles 250a and 250b of this Act.
- (8) The provisions of Article 244a and Articles 247 to 249 of this Act shall apply accordingly to executive directors.
- (9) The provisions of Articles 252, 273, and 273a of this Act shall apply accordingly to the due care and liability of the executive directors.
- (10) The provisions relating to executive directors shall also apply to their deputies.

Representation

Article 272m

- (1) The executive directors shall represent the company. The provisions of Articles 241 and 242 of this Act shall apply accordingly.
- (2) The board of directors shall represent the company as against the executive directors.

Signatures of executive directors

Article 272n

The executive directors shall sign in the name of the company indicating the company's corporate name and their position as an executive director.

Judicial appointment of executive directors

Article 272o

The provisions of Article 245 of this Act shall apply accordingly to the judicial appointment of executive directors.

Section 2b APPLICATION OF THE CORPORATE GOVERNANCE CODE

Corporate governance code statement

Article 272p (OG 136/24)

- (1) The supervisory board or the board of directors of a company whose shares are traded on a regulated market shall ensure that the company's management board or the executive directors include in a specific section of the annual report on the condition of the company at least the following information:

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- a) a reference to the corporate governance code to which the company is subject, and/or the corporate governance code which the company voluntarily applies, and/or information about the corporate governance practices applied by the company beyond the requirements under law, and information on where the relevant corporate governance codes or the corporate governance practices applied by the company are publicly available;
 - b) to the extent to which a company departs from the corporate governance codes referred to under a), an explanation as to which parts of the corporate governance code it departs from and the reasons for doing so;
 - c) a description of the main features of the company's internal control and risk management systems in relation to the financial reporting;
 - d) information on significant direct and indirect shareholders in the company, including indirect holdings of shares in pyramid structures and mutual shareholdings, shareholder agreements referred to in Article 293a of this Act and the contracting parties to such agreements, with a notice that the information on such agreements is entered in the court register, holders of securities with special control rights and a description of such rights, restrictions on voting rights such as restrictions on voting rights to a certain percentage or number of votes, time limits for exercising voting rights or cases in which, in cooperation with the company, financial rights attached to securities are separated from holding such securities, rules on the appointment and removal of the appointment of members of the management board or executive directors or supervisory board or board of directors and amendments to the articles of association, on the powers of members of the management board or executive directors or supervisory board or board of directors, in particular on the powers to issue company shares or acquire own shares;
 - e) information on the composition and operation of the management board or executive directors and the supervisory board or board of directors and their ancillary bodies, with information on which members in the supervisory board or management board or the board of directors and their ancillary bodies are independent, and are experts in the field of accounting or auditing of financial statements.
- (2) If there is an obligation to have a balanced representation of women and men in the supervisory board or board of directors, the supervisory board or board of directors is obliged to ensure that the management or executive directors state in a special section of the annual report on the condition of the company:
- a) the number and share of women and men in the total number of members of the supervisory board and management board, i.e. the board of directors and executive directors,
 - b) the number and share of women and men in the supervisory board of the company, i.e. their number among the members of the board of directors of the company who are non-executive directors,
 - c) information on whether the company has achieved a balanced representation of women and men in the supervisory board or board of directors of the company, and if not, the reasons why this has not been done, a description of the measures that have been taken and/or are intended to be taken in order to achieve a balanced representation of women and men, and the time period by which it is expected to be achieved,
 - d) the number and share of women and men in the management board of the company, i.e. among the executive directors of the company,
 - e) the objectives set by the supervisory board or board of directors regarding the participation of women and men in the management board or among the executive directors of the company, information on whether these objectives have been achieved, and if not, the reasons why this was not done, measures that have been taken and/or are intended to be taken to achieve the set objectives, and the time period within which they are expected to be achieved.
- (3) The management board or executive directors of the company are obliged to submit the information referred to in paragraph 2 of this Article to the Ombudsperson for Gender Equality within 15 days from the date of conclusion of the general meeting at which they submitted a report on the condition of the company to the shareholders.

Section 2c

Remuneration report

Article 272r (OG [40/19](#), [130/23](#), [136/24](#))

(1) The management board and the supervisory board or executive directors and the board of directors of a company whose shares are admitted to trading on a regulated market shall draft annually a clear and articulate report on all remuneration that the company or another company from the same group paid or took the obligation to pay to every current and former member of the management board and the supervisory board or to an executive director and a member of the board of directors during the preceding financial year. The remuneration report shall contain the full name of each person mentioned in the first sentence of this paragraph and at least the following information, if the company is in their possession:

1. all fixed and variable parts of remuneration, their percentage in the total remuneration, explanation of how they are harmonised with the current remuneration policy, including the manner in which they support the long-term performance of the company and how the criteria for assessment of that performance have been applied;
2. comparative overview of the annual changes in remuneration, revenue and profit of the company and average remuneration of employees employed full-time in the last five financial years, including the explanation of which section of employees was included in that calculation;
3. the number of shares and share options that were given to them by the company or that the company undertook to give them and main conditions for exercising rights, including the price by which they are realised and the date when they are realised and all changes of these conditions;
4. whether and how the company requested the return of variable parts of remuneration;
5. whether the company derogated from the remuneration policy of the management board, explanation why this was necessary and from which specific parts of the remuneration policy the derogation was made;
6. explanation as to how the resolution of the general meeting referred to in Article 276a, paragraph 4, of this Act or the deliberation referred to in Article 276a, paragraph 5, of this Act, was taken into account;
7. explanation as to how the determined maximum amount of remuneration of members of the management board shall apply.

(2) The remuneration report for each member of the management board or the executive director should also contain information on remuneration which:

1. a third person paid or undertook the obligation to pay to the member of the management board or the executive director in the financial year in relation to tasks carried out as a member of the management board or an executive director;
2. the company undertook to pay to the member of the management board or the executive director in the event of early termination of membership in the management board, or the termination of the position of executive director, and the changes of that agreement in the previous financial year;
3. the company undertook to pay to the member of the management board or the executive director in the event of regular termination of membership in the management board, or the termination of the position of executive director, the monetary value of that total obligation, the amount that the company allocated for that purpose in the previous financial year or took the obligation to allocate, as well as the changes of that agreement in the previous financial year;
4. the company paid or undertook to pay to the former member of the management board or the executive director whose membership in the management board, or position of executive director, terminated in the previous financial year.

(3) The remuneration report shall be examined by the auditor who also examines the annual financial statements of the company. The auditor shall examine whether the remuneration report contains information referred to in provisions of paragraphs 1 and 2 of this Article. They shall prepare a report on examination of the remuneration report. That report shall be attached to the remuneration report.

(4) The company shall, for the period of ten years, publish and make accessible free of charge on its website, the remuneration report and the report referred to in the provision of paragraph 3, third sentence of this Article after the general meeting adopts the decision in accordance with the provision of Article 276a, paragraph 4, first sentence, of this Act or after that report has been submitted for deliberation at the general meeting in accordance with the provision of Article 276a, paragraph 5, of this Act.

(5) The remuneration report shall not contain information related to family circumstances of individual members of the management board and the supervisory board or the executive directors and members of the board of directors. Personal details relating to former members of the management board and the supervisory board or executive directors and members of the board of directors shall not be disclosed in the remuneration report drafted ten years after the expiry of the financial year in which the professional capacity of these persons was terminated. After the expiry of the period

referred to in paragraph 4 of this Article, the company shall remove from the remuneration report the personal details available on the website.

(6) The remuneration report need not contain information which, according to reasonable business judgment, may cause damage to the company that is not insignificant. If, subsequently, reasons for which specific information has been omitted from the published remuneration reports in accordance with the provision of the first sentence of this paragraph disappear, this information shall be provided in the remuneration report for the next financial year.

Section 2d

Balanced representation of
women and men in company bodies

Balanced representation of
women and men in
the supervisory board and board of directors

Article 272s (OG 136/24)

(1) Women and men must be equally represented in the supervisory board and board of directors of a company whose shares are traded on the regulated market. Balanced representation in the supervisory board is achieved if the number of members of the sex that is underrepresented in the supervisory board corresponds to what is provided for in Annex 7 of this Act. Balanced representation in the board of directors is achieved if the number of members of the underrepresented sex among the members of the board of directors who are non-executive directors corresponds to what is provided for in Annex 7 of this Act. The representation of women or men in the supervisory board and board of directors is not calculated according to the number of members of the supervisory board or board of directors as determined by the articles of association, but according to the total number of elected and appointed members of the supervisory board, i.e. such members of the board of directors who are non-executive directors.

(2) The company is not obliged to establish a balanced representation of women and men in the supervisory board and board of directors in accordance with the provision of paragraph 1 of this Article if women and men are represented in a balanced manner with regard to the total number of members of the management board and supervisory board of the company, or with regard to the total number of members of the board of directors and executive directors of the company. This shall be deemed to have been met if the number of members of the sex that is underrepresented in the management board and supervisory board, or among all members of the board of directors and executive directors, corresponds to what is provided for in this regard in Annex 8 to this Act. The total representation of women and men in the management board and supervisory board, or among members of the board of directors and executive directors, shall not be calculated according to the number of members of the management board and supervisory board, or executive directors and members of the board of directors as these numbers are determined by the articles of association, but according to the total number of elected and appointed members of the supervisory board or board of directors, management board and executive directors of the company.

Special rules for selection of supervisory board or board of directors members

Article 272t (OG 136/24)

(1) If a company does not meet any of the criteria referred to in Article 272s of this Act, the supervisory board or board of directors must adopt special rules on the selection of candidates for members of the supervisory board or for members of the board of directors who are non-executive directors.

(2) If the company met at least one of the criteria referred to in Article 272s of this Act, but the failure to meet these criteria occurred because one of the previous members of the supervisory board ceased to be a member of the supervisory board or board of directors, or a member of the board of directors was appointed as an executive director, or the imbalance between women and men occurred due to a change in the employee representative in the supervisory board or a change in the member of the supervisory board or board of directors who was appointed by an individual shareholder in exercise of his or her right, the company is not obliged to adopt the rules referred to in paragraph 1 of

this Article if the balance is re-established with the first subsequent election of a member of the supervisory board or board of directors.

(3) The rules referred to in paragraph 1 of this Article shall ensure that throughout the entire procedure for selecting a candidate and proposing them for election clear, neutral and unambiguous criteria are applied, preventing discrimination and enabling the selection of candidates on the basis of objectively assessable qualifications. If two or more candidates of equal qualifications and abilities are considered for the election of a member of the supervisory board, preference must be given to a member of the underrepresented sex, unless, in exceptional cases, particularly justified reasons prevail in favour of the candidate of the opposite sex.

(4) At the request of an individual candidate, the company shall inform them of the criteria on which the selection was based and of the comparison with other candidates, and, if necessary, state the particularly justified reasons that prevailed in favour of the candidate of the opposite sex.

(5) A candidate who believes that they were equally qualified as the selected candidate of the opposite sex is authorised to initiate misdemeanour proceedings against the company by filing an indictment in accordance with the provisions of the law governing misdemeanour proceedings. If the candidate proves it probable that they are equally qualified as the candidate of the opposite sex who was elected as a member of the supervisory board or board of directors, the company shall bear the burden of proof that the authorised plaintiff was not unjustifiably deprived of an advantage.

Balanced representation of women and men on the management board,
that is, among the executive directors of the company

Article 272u (OG 136/24)

At least every two years, the supervisory board and board of directors of a company whose shares are traded on a regulated market is required to set objectives for the participation of members of the underrepresented sex in the management board or among the executive directors of the company. The company is free to set objectives. The objectives are expressed in terms of the number and share of members of the underrepresented sex that it intends to reach in the planned period. The decision must state the measures intended to achieve the set objectives, as well as the time period for their achievement. The time period may not exceed 18 months.

Role of the Gender Equality Ombudsman

Article 272v (OG 136/24)

(1) The Gender Equality Ombudsman is the competent authority for the promotion, analysis, monitoring and support of gender balance in the bodies of companies whose shares are traded on a regulated market.

(2) At least once a year, the Gender Equality Ombudsman shall publish a list of all companies whose shares are traded on a regulated market that meet at least one of the criteria referred to in Article 272s of this Act.

Exception regarding micro, small and medium-sized enterprises

Article 272z (OG 136/24)

The provisions of Articles 272s to 272v of this Act do not apply to companies that employ fewer than 250 workers, and whose annual revenue does not exceed EUR 50,000,000.00, nor does the amount of total assets reported in the balance sheet exceed EUR 43,000,000.00.

Section 3 Undue use of influence on the company

Liability for damages

Article 273

(1) Any person who intentionally, by exerting their influence on the company, induces a member of the management board or the executive director, or a member of the supervisory board or the board of directors, a procurator or proxy holder to act to the disadvantage of the company or its shareholders, shall be liable to the company for any resulting

damage. Such person shall also be liable to the shareholders for any resulting damage insofar as they have sustained a loss independent of the loss which they have sustained by virtue of the damage incurred by the company.

(2) In addition to the person referred to in the previous paragraph of this Article, the members of the management board or the executive directors and the members of the supervisory board or the board of directors, shall be jointly and severally liable if they have acted in violation of their duties. The members of the management board or the executive directors and the members of the supervisory board shall bear the burden of proof in the event of a dispute that they have employed the care of a prudent businessman. The members of the management board or the executive directors and the members of the supervisory board shall not be liable for damage if they acted pursuant to a lawful resolution of the general meeting. The approval given by the supervisory board does not exclude the liability for the damage.

(3) In addition to the persons referred to in paragraphs 1 and 2 of this Article, any person who intentionally participated in a harmful act and has obtained an advantage from the said act shall also be jointly and severally liable.

(4) The claim for the compensation of damage may also be asserted by the company's creditors if they are unable to obtain satisfaction from the company. Liability for damages to the creditors shall be extinguished neither by a waiver nor by a compromise of the company nor by the fact that the act which caused the damage was based on a resolution of the general meeting. If bankruptcy proceedings have been instituted over the company's assets, the bankruptcy administrator shall exercise the rights of the creditors during the course of such proceedings.

(5) Claims under the foregoing provisions shall be time-barred after the expiry of a period of five years.

(6) The provisions of this Article shall not apply if the member of the management board or the supervisory board or the board of directors, the procurator or the proxy holder was induced to engage in the harmful act by the exercise of:

1. the right to manage a company under a contract which entrusts the managing of the operations to the parent company; or
2. the managing right of an acquiring company into which the public limited company has been integrated.

Section 3a BRINGING OF CLAIMS FOR DAMAGES

Obligation to assert a claim for damages

Article 273a (OG 114/22)

(1) The company itself shall bring a claim for compensation of damages against persons referred to in Articles 191, 252, and 273 of this Act if the general meeting so resolves by simple majority or if shareholders whose aggregate holdings amount to at least one tenth of the share capital so request, provided that such shareholders have been the holders of the company's shares for not less than three months prior to the date of the conclusion of the general meeting at which they have requested this. The claim may be asserted within six months from the date of the general meeting.

(2) The general meeting may appoint special representatives to represent the company therein. If the general meeting has resolved to bring such claim for damages as stipulated in paragraph 1 of this Article or a minority has so requested, the court referred to in Article 40 of this Act may, upon motion by the said minority of shareholders or shareholders whose aggregate holdings represent an amount of the share capital corresponding to at least EUR 1,000,000.00, appoint other persons as the company's representatives if in the opinion of the court such appointment is appropriate for the proper assertion of the company's claim. If the court accepts the claim, the costs of the proceedings shall be borne by the company. The company shall pay the appointed representatives' remuneration for their services and reimburse their costs relating to representation. The amount of such costs and remuneration shall be set by the court.

(3) If the company fails to assert the claim referred to in paragraph 1 of this Article within the period stated therein, the court referred to in Article 40 of this Act shall, upon motion by shareholders whose aggregate shareholdings equal or exceed one twentieth of the company's share capital or represent an amount of the share capital corresponding to at least EUR 500,000.00, appoint special representatives provided that facts exist which justify reasonable suspicion that the company has incurred damage as a result of improprieties or gross breaches of the law or the articles of association. The court-appointed representatives shall bring the claim for damages in the name of the company if in the exercise of their expert judgment they conclude that there is a chance of being successful in the dispute.

(4) If a minority of shareholders referred to in the foregoing paragraphs of this Article has requested that a claim for damages be brought against the persons referred to in paragraph 1 of this Article and the company is unsuccessful in the dispute in whole or in part, the shareholders who requested that the claim for damages be brought shall be jointly and severally liable to the company for the costs thus incurred to the extent that the amount of costs exceeds the amount gained in the dispute. If the company's lawsuit is rejected as inadmissible or its claim is dismissed, the shareholders who requested that the claim be brought shall be liable to the company for all the costs of the proceedings, the court costs relating to the appointment of representatives, and the costs and remuneration of such representatives.

Section 4 General meeting

Subsection 7: Competence of the general meeting

Exercise of shareholders' rights

Article 274 (OG 40/19, 130/23, 136/24)

- (1) Unless otherwise provided for by this Act, in company matters shareholders shall exercise their rights at the general meeting, participating in its work in person or through a proxy at the place where it is held.
- (2) The articles of association or the by-laws on the work of the general meeting may allow or authorise the management board to allow the work of the general meeting to be transmitted by audio and video.
- (3) The articles of association may provide for or authorise the management board or the board of directors to enable shareholders to participate in the work of the general meeting personally or through a proxy and to exercise their rights at the general meeting by electronic communication even when they do not participate in it at the place where it is held (hybrid general meeting).
- (4) The articles of association may provide for or authorise the management or board of directors to determine that the general meeting will be held exclusively by electronic communication and that shareholders will be able to participate in the work of the general meeting personally or through a proxy and exercise their rights thereat exclusively by electronic communication (virtual general meeting).
- (5) The articles of association may provide for or authorise the management board or the board of directors to enable shareholders who do not participate in the work of the general meeting to cast their votes in writing or by electronic means (correspondence voting) after the notice of the general meeting has been published and before it is held. The company shall establish appropriate measures to ensure the identification of shareholders who cast a correspondence vote. A shareholder who, after having voted by correspondence vote, participates in the work of the general meeting is not bound by the previously cast correspondence vote and is permitted to participate in the decision-making at the general meeting.
- (6) If the right to vote is exercised by electronic communication in accordance with the provisions of paragraphs 3, 4 and 5 of this Article, the company shall be obliged to confirm to the person who cast the vote electronically that the vote cast in this way has been received, in accordance with Article 7 paragraph 1 and Article 9 paragraph 5 item 1 of Implementing Regulation (EU) 2018/1212. The information may be transmitted by a third party designated by the company, an intermediary or a shareholder. If the confirmation is given to the intermediary, he shall be obliged to forward it to the shareholder without delay. Article 297a paragraph 3 of this Act shall apply in an appropriate way.
- (7) Members of the management board, or executive directors, and members of the supervisory board or board of directors must participate in the work of the general meeting. The articles of association may determine cases in which members of the management board, or executive directors, and members of the supervisory board or board of directors may participate in the work of the general meeting via an audio and video transmission with the possibility of communicating in real time with the participants of the general meeting.
- (8) The use of electronic communication for the purposes referred to in paragraphs 3, 4 and 7 of this Article is permitted only if the following conditions are met:
1. that the entire general meeting is transmitted via audio and video,

2. that two-way communication via video link in real time during the general meeting is ensured, which enables shareholders to address the general meeting during the meeting from their location,
3. that during the general meeting, shareholders are enabled to vote by electronic communication from their location,
4. that shareholder identification, security of electronic communication and immutability of the expression of will declared by electronic communication are ensured, except when permitted by this Act.

(9) If shareholders participate in the work of the general meeting by electronic communication, and this Act provides that from the publishing of the convening of the general meeting, certain documents must be made available to shareholders at the company's business premises, or provides that these documents must be made available to shareholders during the general meeting, these documents must be available for the whole time on the company's website, from which shareholders can download them free of charge.

Competence of the general meeting

Article 275 (OG 40/19, 136/24)

(1) The general meeting shall resolve on all matters expressly stated in the law or the articles of association, in particular with respect to:

1. the election and removal of members of the supervisory board or the board of directors, unless they are appointed to the said board;
2. the distribution of profits;
3. remuneration policy and remuneration reports for members of the management board and members of the supervisory board or the executive directors and members of the board of directors of companies whose shares are admitted to trading on a regulated market;
4. giving clearance to the members of the management board and the supervisory board or the board of directors;
5. the appointment of the auditor;
6. amendments to the articles of association;
7. increase and reduction of the share capital;
8. the appointment of auditor for the examination of matters in connection with the formation of the company or the management of the company's operations and the setting of remuneration for their services;
9. the listing of company shares for trading on a regulated market and the withdrawal of shares from the said listing;
10. the dissolution of the company.

(2) The general meeting may decide on matters concerning the management of the company's operations only if required by the company's management board or the executive directors.

(3) Deleted

Clearance to the management board and the supervisory board or the board of directors

Article 276

(1) The general meeting shall resolve on giving clearance to the members of the management board and the supervisory board or the board of directors. A separate vote shall be taken with regard to giving clearance to an individual member if so resolved by the general meeting or so requested by shareholders whose aggregate holdings amount to at least one tenth of the share capital.

(2) Such clearance shall constitute approval by the general meeting of the management of the company by the members of the management board and the supervisory board or the board of directors. Such clearance shall not constitute a waiver of claims for compensation of damage on the grounds of liability that may be brought against persons granted clearance.

(3) The deliberations on giving clearance shall be combined with the deliberations on the distribution of current profits. The management board or the executive directors shall present to the general meeting the annual financial statements, the report on the condition of the company, if the company is required to prepare it, and the reports of the supervisory board or the board of directors.

Voting on the remuneration policy and remuneration report

Article 276a (OG 40/19, 130/23)

(1) The general meeting of the company whose shares are admitted to trading on a regulated market shall at least once every four years resolve on whether to approve the remuneration policy for members of the management board or executive directors submitted to it by the supervisory board or the board of directors, and always when it has been significantly changed. The resolution of the general meeting does not create obligations nor rights. It shall not be voidable on the basis of the provisions of Article 360 of this Act. A resolution confirming the previously approved remuneration policy shall be allowed.

(2) The resolution of the general meeting and the remuneration policy shall be published and made accessible free of charge for a period of at least ten years, immediately after the general meeting has been held, on the website of the company, with an indication of the date until which they will be valid.

(3) If the general meeting has not approved the remuneration policy, the supervisory board or the board of directors shall submit at latest at the next general meeting, deliberating on the annual financial statements, its re-examined remuneration policy and voting shall be held on it.

(4) The general meeting of the company whose shares are admitted to trading on a regulated market shall resolve whether to approve the remuneration reports for the previous financial year established and revised in accordance with the provisions of Article 272r of this Act. The provision of paragraph 1, second sentence of this Article shall apply accordingly.

(5) Micro-, small and medium-sized enterprises, as determined by the law regulating accounting, whose shares are admitted to trading on a regulated market need not adopt a resolution in accordance with paragraph 4 of this Article if the remuneration report for the previous financial year has been submitted for deliberation at the general meeting as a separate item of the agenda.

Subsection 7: Convening of a general meeting

General Provisions

Article 277 (OG 40/19, 34/22, 136/24)

(1) A general meeting shall be convened in all cases provided by law or the articles of association or whenever required by the interests of the company. The management board or the executive directors shall convene the general meeting promptly upon receipt of the report of the supervisory board or the board of directors on the annual financial statements, the report on the condition of the company and the proposal for distribution of profits, and in the case of the parent company of a group, also the report on the group's annual financial statements and the report on the condition of the group. The general meeting shall be held during the first eight months of the financial year.

(2) The general meeting shall be convened by the management board which shall resolve thereon by a simple majority of votes. Persons who are registered in the court register as members of the management board shall be deemed authorised to convene such meeting. This shall apply accordingly to the executive directors when they convene the general meeting. This is without prejudice to the right of any other person based on law or the articles of association to convene a general meeting.

(3) The resolution to convene the general meeting must contain the company's corporate name and seat, the time and place of the general meeting. The resolution to convene the general meeting must include the agenda. The notice must state the content of the resolution to convene the general meeting and the conditions that must be met for participation in the general meeting and for exercising the right to vote. If shareholders participate in the work of the general meeting by electronic communication, the notice must specifically indicate how the shareholders will be involved in the work of the general meeting. If participation in the general meeting is possible exclusively by electronic communication, the notice must warn shareholders of this. From the date of publication of the notice to the general meeting, the annual financial statements, the report on the company's condition, if the company is required to prepare one, the report of the supervisory or board of directors and the proposal for distribution of profits, when they are the subject of deliberation and/or resolving at the general meeting, must be displayed for inspection by shareholders at the business premises of the company's seat. At the request of each shareholder, a copy of the aforementioned documents must be made available to him. This also applies to the general meeting of the parent company of the group for the group's annual financial statements, the report on the condition of the group and the report of the supervisory or the board of directors.

(4) If the shares of the company are traded on a regulated market, the management board or the executive directors, or in case the supervisory board or the board of directors convenes the meeting, the supervisory board or the board of directors, shall state in the notice the following:

1. the requirements for participation at the general meeting and the exercise of voting rights as well as, if applicable, the time limit for submitting proofs to the company pursuant to Article 279, paragraph 3, of this Act;
2. the procedure for casting votes by a proxy holder, whereby reference is made to the forms which have to be used for granting a voting proxy and to the manner in which proof of the appointment of a proxy holder may be transmitted electronically to the company, as well as the procedure for casting votes by postal vote or by way of electronic communication, insofar as the articles of association provide for a corresponding form of exercising voting rights;
3. the rights of the shareholders pursuant to Article 278, paragraph 2, Article 282, paragraph 1, Article 283, and Article 287, paragraph 1, of this Act, whereby the information may be limited to the time limits for exercising these rights if the notice refers to further explanations on the company's website;
4. the company's website via which the information pursuant to Article 280a of this Act can be accessed.

(5) Unless the articles of association provide otherwise, the general meeting shall be held at the company's seat. If the company's shares are admitted to trading on a regulated market, the general meeting may also be held at the seat of the stock exchange, unless the articles of association provide otherwise.

(6) The notice of the general meeting shall be published on the website of the court register and in the company's official journal. If the shareholders are known to the company by name, a general meeting may be convened by registered letter; the day of posting the notice shall be deemed to be the day of publication.

As of 1 January 2021, the following sentence is added: *It shall suffice to send a registered letter to shareholders registered in the share register.*

(7) The proposals for resolutions that are to be passed at the general meeting shall be published together with the notice of the general meeting.

(8) The companies whose shares are admitted to trading on a regulated market which have not issued only registered shares and which did not send the notice directly to the shareholders pursuant to the provision of paragraph 6 of this Article, shall, at the latest on the date of publication, submit the notice to the media capable of distributing it across the entire European Union.

(9) If all shareholders are present or represented, a general meeting may adopt valid resolutions without complying with the provisions of this Act on its convening provided, that no shareholder objects to the adoption of the resolutions.

Convening of a general meeting at the request of a minority

Article 278 (OG 136/24)

(1) A general meeting shall be convened if shareholders whose aggregate holdings amount to at least one twentieth of the share capital request so in writing, stating the purpose and the reasons of such meeting. Such request shall be addressed to the management board. The articles of association may provide that the right to request a general meeting shall require the holding of a lower proportion of the share capital than that provided for in this paragraph.

(2) In the same manner the shareholders referred to in paragraph 1 of this Article may request that items be put on the agenda and published. Each new item shall be accompanied by an explanation or a draft proposal. The request that an item be put on the agenda shall be provided to the company at least 24 days prior to the meeting. The day of receipt shall not be included in this time period.

(3) If their request is not complied with, the court may authorise the shareholders who have made the request to convene a general meeting or publish such items of the meeting's agenda. At the same time, the court may appoint the chairperson of the general meeting. The notice of the meeting shall state that the general meeting is convened with such court authorisation and refer to the relevant court decision.

(4) The company shall bear the costs of convening and holding the general meeting as well as the court costs if the court has granted such request of the shareholders.

Period for convening a general meeting

Article 279 (OG 40/19, 130/23)

- (1) A general meeting shall be convened no later than thirty days prior to the date of the meeting. The day the notice is published shall not be included in that time period.
- (2) The articles of association may provide that participation at the meeting or the exercise of voting rights shall require the shareholders' giving notice of their participation prior to the meeting. The notice of participation shall be delivered to the company at least six days prior to the general meeting at the address specified for this purpose in the notice convening the general meeting. The articles of association may provide for a shorter time limit determined in calendar days. The day of receipt shall not be included in this time period. The minimum time limit under paragraph 1 of this Article shall be prolonged by the number of days set for giving notice of participation or exercising the voting right at the general meeting.
- (3) For bearer shares the articles of association may also provide how the right to participate in the meeting or of the right to vote shall be proven. The provision of paragraph 2 of this Article on the extension of the time limit for the convening of the general meeting shall apply accordingly in this case. In the case of companies whose shares are admitted to trading on a regulated market, a certificate on deposit of shares shall constitute sufficient proof in accordance with the provision of Article 297c, paragraph 3, of this Act. In the case of companies whose shares are admitted to trading on a regulated market, the proof of participating in the share capital in accordance with Article 297c, paragraph 3, of this Act shall relate to the start of the 21st day before the general meeting and it shall be received by the company at the address indicated for this purpose in the notice at least six days before the day of the general meeting, unless a shorter calendar-day term has been laid down in the articles of association. The day of receipt shall not be included in this time period. The only persons who will be treated as shareholders in relation to the company and may therefore participate in the meeting or exercise voting rights are those shareholders who have provided the company with relevant proof thereof.
- (4) For registered shares the right to participate in a general meeting or the right to vote shall be determined in accordance with the provision of Article 226 paragraph 2 of this Act.
- (5) In the case of time limits and dates which are calculated backwards from the date of the general meeting, the day of the meeting itself shall not be included in the calculation. Adjourning the time limit from a Sunday, Saturday or a holiday to a preceding or following working day shall not be an option. The provisions of the Civil Obligations Act relating to the calculation of time shall not apply to the calculation of time limits. In the case of companies whose shares are not admitted to trading on a regulated market, the articles of association may provide for a different calculation of time limits.

Publication of requests for agenda supplements and proposals for resolutions

Article 280 (OG 130/23, 136/24)

- (1) If the shareholders referred to in Article 278, paragraph 1, of this Act have requested that items be added to the agenda, these items shall be published together with the notice or immediately following receipt of the request by the company. The provisions of Article 277, paragraph 6, of this Act shall apply accordingly. In the case of companies whose shares are admitted to trading on a regulated market, the provision of Article 277, paragraph 8, of this Act shall also apply accordingly. Publication and submission to the media for the purpose of distribution of any such information shall be made in the same manner as in regard to the notice of the meeting.
- (2) If the general meeting is required to resolve on an amendment to the articles of association, the remuneration policy for members of the management board, the remuneration of members of the supervisory board in accordance with Article 269, paragraph 3, of this Act, the remuneration report or conclusion of an agreement which becomes effective only with the consent of the general meeting, the full contents of any of the documents being resolved on shall be published, and in the case of concluding an agreement, its essential contents. This paragraph shall apply to the remuneration report referred to in Article 276a, paragraph 5, of this Act.
- (3) With respect to each item on the agenda that is to be resolved on by the general meeting, the management board and the supervisory board or the board of directors, or in the case of resolving, in accordance with Article 276a, paragraph

1, first sentence of this Act, on the election of members of the supervisory board or the board of directors, and auditors, only the supervisory board or the board of directors, shall in the publication of the agenda also state the proposals for the respective resolutions that are to be passed. The foregoing shall not apply if the subject matter of the resolution has been put on the agenda upon request by minority shareholders. The proposal for the election of members of the supervisory board or the board of directors and the appointment of auditors shall state their full name, profession and place of permanent residence, while in case the auditor is a legal person, its corporate name and seat. If the company's shares are traded on a regulated market, the proposal for the election of members of the supervisory or board of directors, for each proposed member must also contain information on whether the proposed member is independent within the meaning of Article 255 paragraph 6 of this Act. If the supervisory board or the board of directors has a representative of employees, any resolution of the supervisory board or the board of directors regarding proposals for the election of members of the supervisory board or the board of directors shall require only the majority of the votes of the members who were elected or appointed to the supervisory board or the board of directors by shareholders.

(4) If a company has an obligation to have a balanced representation of women and men on the supervisory board and board of directors, the proposal for the election of a member of the supervisory board or board of directors must additionally contain information on how accepting that proposal will affect the fulfilment of this obligation.

(5) No resolution may be adopted at a general meeting in respect of items on the agenda that have not been properly published.

Publications on the company's website

Article 280a

(1) The companies whose shares are admitted to trading on a regulated market shall undertake whatever is needed to make available on the company's website immediately after the convocation of the general meeting the following:

1. the content of the notice of the general meeting;
2. an explanation if there is an item on the agenda upon which the general meeting need not to resolve;
3. the documents to be made available to the meeting;
4. the total amount of shares and of the voting rights at the point in time of the convocation, including separate information on the total amount with regard to each class of shares;
5. as the case may be, the forms to be used if the voting right is exercised by proxy or by postal vote or by electronic means of communication, unless such forms are provided to the shareholders directly.

(2) If the forms referred to in paragraph 1, item 5, of this Article cannot be made available on the company's website for technical reasons, the company's website shall include an explanation as to how the said forms may be obtained. In such case the company shall send the said forms by post at its expense to any shareholder which requests so.

(3) Any request of the shareholders within the meaning of Article 278, paragraph 2, of this Act that is received by the company after the convocation of the general meeting shall be made available in the same way as set forth in paragraph 1 of this Article immediately after it is received by the company.

Communications to shareholders and members of the supervisory board or the board of directors

Article 281 (OG 40/19, 130/23)

(1) The management board or the executive directors shall, at least 21 days before the general meeting, communicate the notice of the meeting to those intermediaries that deposit company shares, shareholders' associations which have exercised voting rights in the preceding general meeting, and intermediaries or shareholders' associations which have requested such communication. The date of communication shall not be included in that time period. If the agenda has been amended pursuant to Article 278, paragraph 2, of this Act, the companies whose shares are admitted to trading on a regulated market have to communicate such amended agenda. Such communication shall point out that voting right may be exercised by a proxy holder or a shareholders' association. In the case of companies whose shares are traded on a regulated market, any proposal for the election of the members of the supervisory board or the board of directors has to contain details on their membership in other supervisory boards or boards of directors and other national and foreign controlling bodies.

- (2) The management board or the executive directors shall communicate that information to shareholders who make such request. The articles of association may limit communication of information to electronic communication.
- (3) Each member of the supervisory board or the board of directors may request that the management board or the executive directors send the communication referred to in paragraph 1 of this Article to them.
- (4) The resolutions adopted at the general meeting shall, upon request, be communicated to each member of the supervisory board or the board of directors, and each shareholder.
- (5) The contents and form of the communication referred to in the first sentence of paragraphs 1 and 2 of this Article shall be governed by the requirements of Implementing Regulation (EU) 2018/1212. The provision of Article 297a, paragraph 2, first sentence of this Act shall apply accordingly to paragraphs 1 and 2 of this Article. In case of companies whose shares are admitted to trading on a regulated market, the intermediaries who deposit company shares shall forward and transmit information referred to in paragraphs 1 and 2 of this Article in accordance with Articles 297a and 297b of this Act, unless the intermediary has learnt that the shareholder has already received this information from another person. This also applies to companies whose shares are not admitted to trading on a regulated market, in which case the provisions of Implementing Regulation (EU) 2018/1212 shall not apply.

Proposals by shareholders

Article 282

- (1) Proposals by shareholders together with the shareholder's full name, the grounds and any position taken by the management board or the executive directors shall be made available to the persons referred to in Article 281, paragraphs 1 to 3, of this Act under the conditions stated therein if at least 14 days before the general meeting the shareholder sends to the address indicated in the notice of the meeting a grounded proposal counter to a proposal of the management board or the executive directors and/or the supervisory board or the board of directors as to an item on the agenda. The date of receipt of the proposal by the company shall not be included in that time period. In the case of companies whose shares are admitted to trading on a regulated market, the proposal shall be made available on the company's website. The provision of Article 281, paragraph 3 of this Act shall apply accordingly. If a shareholder does not make use of this right, this does not represent a waiver of its right to make a counter-proposal at the general meeting.
- (2) A counter-proposal and the grounds therefore need not be made available if:
1. such publication would result in criminal or misdemeanour liability;
 2. the counter-proposal would result in a resolution of the general meeting which would be illegal or would violate the articles of association;
 3. the grounds for the counter-proposal contain statements which are manifestly false or misleading in material respects;
 4. a counter-proposal of such shareholder based on the same facts has already been communicated to a general meeting of the company;
 5. the same counter-proposal of such shareholder on essentially identical grounds has already been communicated to at least two general meetings of the company within the past five years and at such general meetings less than one twentieth of the share capital represented has voted in favour of such counter-proposal;
 6. it is evident that the shareholder will neither participate nor be represented at the general meeting; or,
 7. within the past two years at two general meeting the shareholder has failed to make or cause to be made in their name a counter-proposal communicated by them.
- (3) The statement of the grounds need not be made available if it exceeds 5,000 characters in total.
- (4) If several shareholders make counter-proposal for resolution in respect of the same subject matter, the management board may combine such counter-proposals and their respective statements of the grounds.

Proposals by shareholders for elections and appointments

Article 283 (OG 136/24)

The provisions of the previous Article of this Act shall apply accordingly to a proposal by a shareholder for the election of a member of the supervisory board or the board of directors, or the appointment of an auditor. Such proposal need not be supported by a statement of the grounds of. The management board or the executive directors also need not make available such proposal to shareholders if it fails to contain the data required to be published together with the proposal for the election of a member of the supervisory board or the board of directors and the appointment of an auditor and, in the case of companies whose shares are admitted to trading on a regulated market, the data on the membership of persons proposed for election in other supervisory boards or boards of directors and other national and foreign controlling bodies. If the management board or executive directors make available the shareholder's proposal for the election of members of the supervisory board or board of directors, and the company has an obligation to have a balanced representation of women and men on the supervisory board or board of directors, the management board or executive directors must include information on how accepting the shareholder's proposal would affect the fulfilment of that obligation, and if accepting that proposal would result in a breach of that obligation, a warning of the consequences this may have for the company.

Article 284 (OG 40/19)

Deleted.

3. 7: Minutes of the meeting and right to information

By-laws, list of participants and certificate of voting results

Article 285 (OG 40/19, 130/23, 136/24)

- (1) The general meeting may resolve by at least a three-quarters majority of the share capital represented at the meeting to adopt by-laws for the work of the general meeting with rules for the preparation and conduct of the general meeting. At the general meeting a list of shareholders present or represented and of their representatives shall be composed, stating their full name and place of residence, as well as, in the case of par-value shares, the amount, and in the case of no-par-value shares, the number and the class of represented shares. The same information must be included in the list even if shareholders or their proxies participate in the work of the general meeting via electronic communication.
- (2) The list shall be prepared on the basis of presented share certificates, share related documents, authentic documents issued by the authorised institution in whose electronic accounts the shares are registered or the proxy to represent a shareholder at the shareholder's meeting.
- (3) If proxies to exercise voting rights at the general meeting have been granted to an intermediary or an association of shareholders and if the proxy holders exercise voting rights in the name of the principal, in the case of par-value shares, the amount, and in the case of no-par-value shares, the number and the class of shares for which the proxies were granted shall be specified separately in the list. The names of the shareholders who have granted the voting proxies need not be stated.
- (4) A person who has been authorised by a shareholder to exercise voting rights in their own name in respect of shares which are not held by them, shall specify separately, for inclusion in the list, in the case of par-value shares, the amount, and in the case of no-par-value shares, the number of shares. The foregoing shall apply also in respect of shares for which such authorised person is registered in the share register as shareholder.
- (5) The list shall be made available for inspection by all participants of the general meeting prior to the first vote. Shareholders who participate in the work of the general meeting via electronic communication must be provided with the list through such communication. Each shareholder shall be allowed to inspect the list of participants of the general meeting until up to two years after the general meeting. It shall be signed by the chairperson of the general meeting.
- (6) The person who has exercised the voting right shall be entitled to request within one month of the general meeting that the company confirm to them whether and how their vote was given. This confirmation shall be given to the shareholder by the company in accordance with Article 7, paragraph 2, and Article 9, paragraph 5, subparagraph 2 of Implementing Regulation (EU) 2018/1212. If the confirmation has been given to the intermediary, it shall pass it on to the shareholder without delay. The provisions of Article 297a, paragraph 2, first sentence and paragraph 3 of this Act shall apply accordingly.

Minutes

Article 286

(1) Each resolution of the general meeting shall be recorded in the minutes of the proceedings which shall be made in the form of a notarial deed.

(2) The minutes shall state the place and date of the general meeting, the full name of the notary, the manner and result of the voting and determination of the chairperson regarding resolutions.

In the case of companies whose shares are admitted to trading on a regulated market, the determination regarding resolutions shall also include for each resolution:

1. the number of shares for which valid votes have been cast;
2. the proportion of the company's share capital represented by the valid votes;
3. the number of votes cast for a particular resolution, the votes against such resolution and the votes belonging to abstentions.

(3) The list of participants in the general meeting and the documents regarding the convening of the general meeting shall be attached to the minutes. The documents regarding the convening of the general meeting need not be attached if their contents are recorded in the minutes.

(4) The minutes shall be signed by the notary. The presence of witnesses shall not be required.

(5) The management board or the executive directors shall, promptly upon the closure of the general meeting, submit an officially certified copy of the minutes and its annexes to the court of registration.

(6) Companies whose shares are admitted to trading on a regulated market shall, within seven days following the general meeting, publish the results of the voting referred to in paragraph 2 of this Article on their website.

Right of shareholders to information

Article 287

(1) Each shareholder shall upon request be provided with information at the general meeting by the management board or the executive directors regarding the company's affairs, if such information is necessary for a proper evaluation of the items on the agenda. The duty to provide information shall also extend to the company's legal and business relations with any affiliated company. If during the course of the financial year the company acquires own shares, the management board or the executive directors shall state in the report on the condition of the company or, if the company is not obliged to prepare the said report, in the notes accompanying the financial statements the reasons for acquiring own shares, the number and par value of acquired shares, and in case the company issued no-par-value shares, their number and the pro rata share capital allocated to them, and where the company acquires such shares for a consideration, the consideration, own shares disposed of by the company and such shares still held by the company. A parent company's management board or executive directors shall also provide at the general meeting that is considering the group's annual financial statements and the report on the condition of the group information on the condition of the companies included in the group.

(2) The management board or the executive directors may refuse to provide information only:

1. to the extent that providing such information is, according to reasonable business judgment, likely to disadvantage the company or an affiliated company;
2. to the extent that such information relates to taxes or the amount of certain taxes, where such refusal serves to protect the confidentiality of information or where it is in the company's own or an affiliated company's business interest;
3. with regard to the difference between the value at which items are shown in the company's books and the higher value of such items, where such refusal serves to protect the confidentiality of information or where it is in the company's own or an affiliated company's business interest, unless the general meeting establishes the annual financial statements;
4. with regard to the methods of preparing the financial statements of the company, and the methods of valuation of assets, revenues and expenses, if the refusal to grant such information is necessary for the orderly functioning and the

appropriate duration of the general meeting and if disclosure of such methods in the notes attached to such statements suffices to provide a clear view of the actual condition of the company's assets, financial position and profitability;

5. if by provision thereof the management board would render a criminal offence;

6. if the information is available on the company's website seven or more days prior to the general meeting as well as during the meeting.

(3) If information has been provided outside a general meeting to a shareholder by reason of their status as a shareholder, such information shall upon request be provided to any other shareholder at the general meeting, even if such information is not necessary for a proper evaluation of an item on the agenda.

(4) A shareholder who has been denied information may request that their question and the reason for which the information was denied be recorded in the minutes of the meeting.

(5) The company's articles of association or the by-laws of the general meeting may authorise the chairperson of the general meeting to place a reasonable time limit on the shareholders' right to ask questions and discuss, and may regulate this issue in more detail. Such power shall be vested with the chairperson of the general meeting even if it is not provided for in the articles of association or the by-laws if the chairperson deems that such limit is necessary for the orderly functioning and the appropriate duration of the general meeting.

Judicial decision on the right of shareholders to information

Article 288 (OG 136/24)

(1) The court referred to in Article 40 of this Act shall have exclusive jurisdiction to decide upon a shareholder's request whether or not the management board or the executive directors are required to provide information. The court shall decide at its reasonable discretion on the reimbursement of the costs of proceedings.

(2) Each shareholder who has been denied information requested and, if a resolution has been adopted on an item on the agenda for which information was requested, each shareholder who participated in the work of the general meeting the general meeting and who has recorded their objection in the minutes at the general meeting, shall have standing to make such request referred to in paragraph 1 of this Article. Such request shall be made within 15 days from the date of the general meeting at which the information was refused.

(3) If the court grants the request, the information shall be provided even outside a general meeting.

Subsection 7: Voting rights

Quorum

Article 289

(1) The articles of association may provide that resolutions may not be passed unless there is a certain representation of shareholders at the general meeting.

(2) When convening the general meeting, the date of the subsequent general meeting shall be stated in case the convened general meeting does not have the required quorum as set by the articles of association. Unless otherwise provided by the articles of association, such general meeting may pass valid resolutions irrespective of the number of shareholders represented at it.

Principle of simple majority of votes

Article 290

Resolutions of the general meeting shall require a majority of the votes cast (simple majority) unless the law or the articles of association provide for a larger majority or additional requirements.

Voting rights

Article 291

(1) Voting rights shall be exercised in proportion to the par value of shares and, in case of no-par-value shares, in proportion to their number. The articles of association may limit voting rights so that no shareholder has more than a certain maximum number of votes or percentage of all votes. The articles of association may also provide that shares

held by any other person on a shareholder's account shall be deemed to be shares held by such shareholder. If a shareholder is a commercial company, the articles of association may provide that those shares which are held by its subsidiary company, by a company that is its parent company, by a company affiliated with it in a group of companies, or shares held by a third party for the account of these companies shall also be deemed to be shares of such shareholder.

It may not be provided that restrictions apply to specific shareholders only. The said restrictions shall not be allowed in respect of company whose shares are traded on the organised securities market. The said restrictions shall not be taken into account when calculating a share capital majority required by law or the articles of association for the passing of resolutions.

(2) Voting rights are acquired by a full payment of the contributions. The articles of association may provide, however, that voting rights are acquired as from the date on which the minimum contribution provided by law or the articles of association has been paid. Payment of the minimum contribution shall give rise to one vote, and, if payments exceed the minimum contribution, the voting rights shall be determined in accordance with the amounts of contributions paid.

(3) If the articles of association do not provide that voting rights are acquired prior to contributions having been paid in full and if contributions have not been paid in full in respect of any share, the voting rights shall be determined in relation to the amounts paid; in such event payment of the lowest contribution shall give rise to one vote. In the cases referred to in the previous and this paragraph, fractions of votes shall be taken into account only to the extent they result in full votes for the shareholder entitled to vote.

(4) The articles of association may not contain provisions pursuant to paragraphs 2 and 3 of this Article which apply only to particular shareholders or to particular classes of shares.

(5) By pledging a share, the shareholder shall not forfeit their voting rights.

(6) A shareholder may also exercise their voting rights in the general meeting by a proxy holder. If the shareholder grants proxy to more than one person, the company may refuse to accept one or more such proxies. However, it may not do so if shares are held in several book-entry securities accounts of the same shareholder and each proxy refers to a particular book-entry securities account, or if several proxies were given for the shares which are held in a custodial account and the proxies do not refer to voting rights from more shares than registered in the custodial account. The granting of proxy, its removal and proof towards the company shall be made in written form, unless the articles of association provide that it should be granted orally. In the case of companies whose shares are admitted to trading on a regulated market it is possible to transmit such proof by electronic communication. The proxy shall be submitted to the company and remain in its custody for at least three years.

(7) The method of exercising the voting rights shall be determined by the articles of association.

Definitions and scope

Article 291a (OG 40/19)

(1) Within the meaning of the provisions of Articles 291b to 292 of this Act

1. institutional investor means:

a) a company that has the approval to conduct the activity of life insurance within the meaning of the law governing insurance;

b) a company that has the approval to conduct the activity of reinsurance within the meaning of the activity that consists of accepting the risk assigned by the insurance company or the insurance company from a third country or another reinsurance company or a reinsurance company from a third country, under the condition that these activities cover life insurance obligations, and are not excluded on the basis of the law governing insurance;

c) a pension company, a mandatory pension fund and a voluntary pension fund and an institution for occupational retirement provision within the meaning of a regulation governing establishment and operations of mandatory or voluntary pension funds;

d) a pension insurance company and an institution for occupational retirement provision within the meaning of the law governing formation and operation of pension insurance companies;

2. asset manager means:

- a) an investment company whose regular activity or operations is provision of one or more investment services to third parties and/or conducting one or more investment activities on a professional basis in accordance with the provisions of the law governing capital market which provides investors with portfolio management services;
 - b) an alternative investment fund manager (AIFM) as defined by the law governing alternative investment funds (AIF) which do not meet the requirements for the exemption from the application of that law;
 - c) a management company as defined by the law governing operation of the companies for managing open-ended investment funds with a public offering;
 - d) an investment company authorised in accordance with the law governing operation of the companies for managing open-ended investment funds with a public offering under the condition that for its management it did not chose a management company which has the authorisation for conducting the activities in accordance with that law;
3. a proxy advisor means a person who professionally and for a consideration analyses reports and other information of companies whose shares are admitted to trading on a regulated market, conducts investigations, provides advisory services or gives recommendations for voting in order to inform the decisions of investors when voting.

(2) Provisions of Articles 291b to 292 of this Act shall apply to:

- (a) institutional investors to the extent in which they directly or through an asset manager invest into shares admitted to trading on a regulated market;
- (b) asset managers to the extent in which they invest into shares admitted to trading on a regulated market for the account of the investor;
- (c) proxy advisors having their seat or central management or establishment in a European Union Member State to the extent in which they provide services to shareholders in connection with shares of commercial companies having their seat in a European Union Member State and whose shares are admitted to trading on a regulated market situated or operating in a European Union Member State.

Engagement policy, engagement report, voting

Article 291b (OG 40/19, 130/23)

(1) Institutional investors and asset managers shall publish their engagement policy describing their engagement in companies they invest in (engagement policy), in which they shall, in particular, state how they:

- 1. exercise membership rights arising from shares, within the framework of their investment strategies;
- 2. oversee important events of the company in which they invest;
- 3. exchange views with company bodies and other stakeholders in the company;
- 4. cooperate with other shareholders;
- 5. manage conflicts of interest connected with engagement.

(2) Institutional investors and asset managers shall report annually on how they implement their engagement policy. In the report, they shall explain how they generally vote, how they voted about more important decisions and whether they used services of proxy advisors.

(3) Institutional investors and asset managers shall publish how they voted at the general meetings, except if their votes were not significant because of the content of decisions on which voting was held or because of their negligibly low engagement in the company.

(4) Institutional investors and asset managers who fail to meet, in full or in part, one or more requirements prescribed in paragraphs 1 to 3 of this Article, shall explain the reasons thereof.

(5) Information referred to in paragraphs 1 to 4 of this Article shall be made available, free of charge, on the website of the institutional investor and asset manager or on another free public website for at least three years and must be renewed at least annually. Institutional investors may instead make a reference to the website of the asset manager if they contain information referred to in paragraphs 1 to 4 of this Article.

Reporting obligations for institutional investors and asset managers

Article 291c (OG 40/19, 130/23)

(1) Institutional investors shall publish to what extent the main elements of their investment strategy are aligned with the profile and duration of their liabilities and how those elements contribute to the medium to long-term trends of their portfolio value.

(2) If an asset manager works for an institutional investor, that investor shall publish information on the arrangement with the asset manager which explains how the asset manager aligns its investment strategy and decisions about

investment with the profile and duration of the liabilities of the institutional investor. The report shall contain in particular the following information:

1. whether medium to long-term company trends are taken into account in investment decision-making;
2. about the engagement in the company, especially on the exercise of membership rights arising from shares and securities lending;
3. about the method, assessment of the value of actions according to that method and the compensation to the asset manager for undertaking these actions;
4. how the institutional investor oversees the agreed portfolio turnover and projected costs of the portfolio turnover;
5. about the duration of the arrangement with the asset manager.

If the arrangement with the asset manager does not contain this information, the institutional investor shall explain the reason therefor.

(3) The institutional investor shall, on its website, publish and make accessible free of charge information referred to in paragraphs 1 and 2 of this Article, for a period of at least three years and shall renew them at least annually. The asset manager may also publish this information on its website or on another free public website if they contain the information referred to in paragraphs 1 and 2 of this Article, in which case the institutional investor needs only to reference this website.

(4) Asset managers that entered into an arrangement in accordance with paragraph 2 of this Article shall annually submit to the institutional investor a report on the extent to which their investment strategy and implementation thereof complies with that arrangement and contributes to the medium to long-term trends of the value of their portfolio. Asset managers may instead publish a report in accordance with paragraph 3, second sentence of this Article. The report shall contain in particular information on:

1. significant medium to long-term risks;
2. portfolio composition, turnover and turnover costs;
3. extent to which the decisions on investment take into account the medium and long-term development of the company;
4. use of services of proxy advisors;
5. management of share lending and conduct in the case of conflicts of interests in the context of engagement in companies, especially exercise of rights arising from the shares.

Reporting obligations by the proxy advisor

Article 291d (OG 40/19)

(1) Proxy advisors shall annually clarify whether they applied and whether they apply rules of a code of conduct or which rules of a code of conduct they did not apply and do not apply and what measures they undertook instead. If proxy advisors do not apply a code of conduct, they shall publicly clarify why this is the case.

(2) Proxy advisors shall publish annually the following information:

1. essential features of methods and models they apply and main information sources they use;
2. procedures put in place for the purpose of quality assurance, as well as preventing and managing potential conflicts of interest;
3. qualifications of associates the proxy advisor uses in its work;
4. whether and, if so, how they take national market, legal, regulatory and entrepreneur-specific conditions into account;
5. essential features of the voting policy they apply for each market;
6. whether they communicate and how often with the companies which are the object of their research, advice or voting recommendations and with the stakeholders of those companies.

(3) Information referred to in paragraphs 1 and 2 of this Article must be publicly and free of charge accessible on the website of the proxy advisor for at least three years from the day of publication. The proxy advisor must renew it at least annually.

(4) Proxy advisors shall without delay inform their clients of the conflict of interest, and on counter-measures undertaken.

Exercise of voting rights by credit institutions and persons acting accordingly

Article 292 (OG 40/19, 130/23)

(1) An intermediary may only exercise voting rights arising from shares which it does not hold and with respect to which it is not registered in the share register as shareholder if it has been authorised to exercise such voting rights by proxy. A proxy may only be issued to a specified intermediary which shall keep it for review. The declaration of intent giving a proxy shall be completed in full and may only contain declarations of intent related to the exercise of voting rights. If the shareholder does not give express voting instructions, a general proxy may only provide for the intermediary's entitlement to exercise the voting right according to the intermediary's own proposals for voting (paragraphs 2 and 3) or according to the proposals of the company's management board or executive directors, the supervisory board or the board of directors, or, in case such proposals deviate from each other, the proposals of the supervisory board or the board of directors (paragraph 4). If the intermediary offers to exercise the voting right pursuant to any one of the above mentioned proposals, it shall to a reasonable extent and until revoked also offer to provide the documents necessary for the exercise of the voting right to a shareholders' association or another representative to be chosen by the shareholder. Annually, the intermediary must clearly stress to the shareholder the possibility, at any time, of removal of the proxy and the change of proxy holder. The voting instructions in respect of individual items on the agenda, the issuance and removal of a general proxy and of an order and its amendments shall be facilitated for the shareholder by using a form.

(2) An intermediary that wishes to exercise the voting right on the basis of a proxy in accordance with its own proposals shall provide the shareholder in time with its proposals for the execution of the voting right on the individual items of the agenda. With respect to these proposals, the intermediary shall bear in mind the shareholder's interests and shall ensure, at an organisational level, that the interests of its own operations do not interfere. It shall appoint a member of the management who shall supervise the observance of these duties as well as the due execution of the voting right and its documentation. Together with its proposals, the intermediary shall point out that it will exercise the voting right in accordance with its stated proposals, if the shareholder does not issue instructions to the contrary in time. If a member of the management board or an executive director, or an associate of the intermediary is a member of the company's supervisory board or the board of directors, or a member of the company's management board or an executive director, or the company's associate, or vice versa, the intermediary shall point out this circumstance. The same shall apply if the intermediary holds a stake in the company which must be notified under law to the competent supervisory authority, or if it belongs to a consortium that has taken up within the last five years the last issuance of the company's securities.

(3) If the shareholder has not given the intermediary instructions on the exercise of voting rights, the intermediary shall be required to exercise such voting rights in accordance with its own proposals, unless the intermediary may assume, in view of the prevailing circumstances, that the shareholder would, if they had knowledge of the facts, approve such exercise of the voting rights. If the intermediary in exercising voting rights has not complied with the shareholders' instructions or, in case the shareholder has not given instructions, the intermediary has not complied with its own proposal, the intermediary shall inform the shareholder thereof and state the reasons for this. The intermediary that has been granted a proxy may exercise voting rights at its own general meeting by virtue of such proxy only to the extent that a shareholder has given express voting instructions in respect of each item on the agenda. The same shall apply to voting in meetings of a company in which the intermediary holds a direct or indirect stake of more than 20% of the share capital.

(4) An intermediary that wants to exercise the voting right in the general meeting based on a proxy pursuant to proposals of the company's bodies shall make available these proposals to the shareholders, unless this is not done another way.

(5) If the proxy granted by the shareholder permits it, the intermediary may in acting on the basis of such proxy grant delegated proxy to persons who are not employees of the intermediary. If the proxy does not provide otherwise, the intermediary shall exercise the voting rights in the name of the principal. If postal votes or votes cast by way of electronic communication are permitted at the company, the authorised intermediary may vote in such manner. As proof of voting proxy for a company in a company whose shares are admitted to trading on a regulated market it shall suffice to provide proof referred to in Article 279, paragraph 3, of this Act. In other aspects the requirements concerning the exercise of voting rights prescribed by the articles of association shall need to be met.

(6) An intermediary may exercise voting rights arising from registered shares which it does not hold, but with respect to which the intermediary is registered in the share register as shareholder, only pursuant to an authorisation. The provisions of paragraphs 1 to 5 of this Article shall apply accordingly to the granting of such authorisation.

(7) The validity of votes cast shall not be impaired by a violation of the foregoing provisions, with the exception of a violation of the provision of the first sentence of paragraph 1 of this Article.

(8) The provisions of paragraphs 1 to 7 of this Article shall apply accordingly to the exercise of voting rights by shareholders' associations, proxy advisors and persons who professionally offer shareholders their services in exercising voting rights in their name at general meetings. The foregoing shall not apply if the person exercising the

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voting right in the name of a shareholder is the statutory representative or spouse or extra-marital spouse of the shareholder or is related to the shareholder by blood or marriage up to the fourth degree of kinship.

(9) The obligation of intermediaries, proxy advisors and persons who professionally offer shareholders their services in exercising voting rights in their name at general meetings to compensate damages resulting from a violation of paragraphs 1 to 6 may neither be waived nor restricted in advance.

Exclusion of voting rights

Article 293

(1) No person may exercise voting rights in their own name or in the name of any other person in respect of a resolution concerning their clearance, their discharge from an obligation, or enforcement by the company of a claim against them. Voting rights arising from shares that may not be exercised by the shareholder themselves pursuant to the previous provision of this paragraph may neither be exercised by any other person.

(2) An agreement whereby a shareholder undertakes to exercise voting rights in accordance with the instructions of the company, the management board or the supervisory board or the board of directors of the company or a subsidiary company shall be null. An agreement whereby a shareholder undertakes to vote for any proposal of the management board or supervisory board of the company shall likewise be null.

Shareholder agreements

Article 293a (OG 136/24)

(1) If the shareholders of a company whose shares are traded on a regulated market conclude an agreement that has the purpose of strengthening the shareholder structure and/or achieving steady management in the company, they are obliged to notify the company in writing of the conclusion of such an agreement without delay, stating the basic purpose of the agreement and how it is achieved by the agreement.

(2) The following shall be considered agreements within the meaning of paragraph 1 of this Article:

- a) agreements on the binding of votes from shares belonging to a shareholder or its subsidiary company, or from shares held by someone for the account of a shareholder or its subsidiary company,
- b) agreements on restrictions on the freedom of disposal of shares belonging to a shareholder, its subsidiary company, or shares held by someone for the account of a shareholder or its subsidiary company,
- c) agreements that shareholders will jointly, directly or indirectly, exercise a dominant influence in the company, or an agreement on the basis of which shareholders may thus exercise a dominant influence in the company.

(3) As soon as it receives the notification referred to in paragraph 1 of this Article, the company shall file an application with the registration court for the entry of the information that such an agreement has been concluded, who are the contracting parties, what is the basic purpose of the concluded agreement and how it is implemented. The shareholders' agreement shall not be attached to the application.

(4) Shareholders shall, without delay, notify the company of the termination or amendment of the agreement referred to in paragraph 1 of this Article, and the company shall, as soon as it receives such notification, file an application with the registration court for the entry of the information that it has been terminated or amended.

(5) No shareholder referred to in paragraph 1 of this Article, its subsidiary company, or a person holding shares for its account or for the account of a subsidiary company, may exercise rights arising from the shares until the company has been notified of the agreement referred to in paragraph 1 of this Article.

(6) A company that has received the notification referred to in paragraphs 1 and 4 of this Article may request proof of the conclusion, amendment or termination of the agreement.

(7) The provisions of this Article shall not apply to agreements relating to shares representing no more than one twentieth of the company's share capital.

Voting on shareholders' proposals for appointment

Article 294

If a shareholder has made proposal for the election of members of the supervisory board or the board of directors pursuant to the provision of Article 283 of this Act and moves at the general meeting for the election of those persons,

such proposal shall be resolved prior to acting on the proposal of the supervisory board or the board of directors, provided that shareholders whose aggregate holdings amount to at least one tenth of the share capital represented at the meeting so request.

Subsection 7: Separate resolutions

Separate meeting and separate voting

Article 295

(1) Where this Act or the articles of association provide for separate resolutions of certain shareholders, such resolutions shall be adopted either at a separate meeting of such shareholders or by a separate vote at the general meeting, unless the law provides otherwise. The provisions governing general meetings shall apply accordingly to the convening of a separate meeting, participation in such meeting, and the right to information; the provisions governing resolutions of general meetings shall apply accordingly to such separate resolutions.

(2) Shareholders who are entitled to take part in the voting on a separate resolution may request that a separate meeting be convened or that the agenda of such a meeting be published provided that the shares conveying the right take part in the voting on the separate resolution amount in aggregate to at least one tenth of the shares conveying the right to vote at such separate meeting.

Subsection 7: Non-voting preferred shares

Rights of shareholders holding preferred shares

Article 296

(1) Preferred shares shall convey to the shareholder the same rights as those enjoyed by other shareholders. It may, however, be provided that such shares shall not convey the right to vote at the general meeting (non-voting preferred shares).

(2) If the preferred dividend is not paid or not paid in full to holders of non-voting preferred shares in any given year and if the amounts in arrear are not paid in the next following year, together with the full preferred dividend for such year, the holders of non-voting preferred shares acquire voting rights at the general meetings until the amounts in arrear have been paid. In such case, the preferred shares shall also be taken into account when calculating participation in the share capital required by law or the articles of association.

Cancellation or restriction of preference rights

Article 297

(1) Any resolution cancelling or restricting a preference right shall require the consent of the holders of preferred shares in order to be effective.

(2) Any resolution to issue preferred shares or shares that convey the same rights as preferred shares shall require the consent of the holders of preferred shares. Such consent shall not be required if such issue was expressly reserved when the preference right was granted or, if the voting rights were later excluded, when such exclusion was made. Preferred shareholders shall not be deprived of their right to acquire shares thus issued.

(3) Preferred shareholders shall, at a separate meeting of such shareholders or by a separate vote at the general meeting, resolve on whether or not to grant the consent referred to in paragraph 1 of this Article. Such resolution shall require a majority of at least three quarters of the votes cast. The articles of association may neither provide for a higher majority nor prescribe any additional requirements.

(4) If the preference is cancelled, the respective shares shall carry voting rights.

Subsection 6a: Informing shareholders and the company

Transmission of information on corporate events

Article 297a (OG 40/19, 130/23)

(1) If a company whose shares are admitted to trading on a regulated market does not transmit information on corporate events defined in Article 1, point 3 of Implementing Regulation (EU) 2018/1212 directly to shareholders, it shall forward it electronically to intermediaries, so that they can transmit it to shareholders.

(2) Information may be transmitted by a third party designated by the company, an intermediary or a shareholder. Information shall be transmitted to the intermediary electronically. The form, contents and time limits for transmitting information in accordance with paragraph 1 of this Article are regulated by Implementing Regulation (EU) 2018/1212. Transmission of information may be restricted as provided for in Article 8, paragraph 4 of Implementing Regulation (EU) 2018/1212, in connection with Table 8 of the Annex to Implementing Regulation (EU) 2018/1212.

(3) Each specific intermediary in the chain shall transmit information referred to in paragraph 1 of this Article received from another intermediary or company to the intermediary in the chain immediately following it within the time limits specified in Article 9, paragraph 2, subparagraph 2 or 3 and Article 9, paragraph 7 of Implementing Regulation (EU) 2018/1212, unless it is aware that another person has already sent this information to the intermediary in question. This shall also apply to information of a company whose shares are admitted to trading on a regulated market with a seat in another European Union Member State. The provision of the first sentence of paragraph 2 of this Article shall apply accordingly.

(4) An intermediary means a person who deposits securities or manages securities or keeps deposit accounts for shareholders or other persons if it performs these activities in relation to shares of a company with a seat in a European Union Member State or in another state party to the European Economic Area Agreement.

(5) Intermediary in the chain means a person who deposits shares of a company for another intermediary. The last intermediary means an intermediary that deposits company shares for the shareholder.

Obligation of the intermediary to transmit information to shareholders

Article 297b (OG 40/19, 130/23)

(1) The last intermediary shall transmit to the shareholder information it received under the provision of Article 297a, paragraph 1, of this Act in accordance with the provisions of Article 2, paragraphs 1 and 4, Article 9, paragraph 2, subparagraph 1, paragraph 3 and paragraph 4, subparagraph 3, as well as Article 10 of Implementing Regulation (EU) 2018/1212. The provisions of Article 297a, paragraph 2, first and fourth sentence of this Act shall apply accordingly.

(2) This shall apply also to information of a company whose shares are admitted to trading on a regulated market with a seat in another European Union Member State.

Obligation of the intermediary to transmit information to the company and delivery of proof of participation of shares in the share capital

Article 297c (OG 40/19, 130/23)

(1) The last intermediary shall transmit directly to the company or to the intermediary in the chain information it received from a shareholder of a company whose shares are admitted to trading on a regulated market relating to the exercise of its rights arising from the shares. Intermediaries shall transmit directly to the company or to the next intermediary the information they received in accordance with the first sentence of this paragraph. The first and second sentence of this paragraph shall apply accordingly to the forwarding of the shareholder's instructions on exercising the rights arising from the shares of a company whose shares are admitted to trading on a regulated market to the intermediary registered in the share register.

(2) The shareholder may provide the instructions on the transmission of information in accordance with paragraph 1 of this Article. The provisions of Article 297a, paragraph 2, first sentence of this Act shall apply accordingly. The form, contents and time limits for transmitting information in accordance with paragraph 1 of this Article are prescribed by Article 2, paragraphs 1 and 3, Article 8 and Article 9, paragraph 4 of Implementing Regulation (EU) 2018/1212. Information may be transmitted and forwarded jointly in a timely manner. Paragraphs 1 and 2 of this Article shall also apply to information of a company whose shares are admitted to trading on a regulated market with a seat in another European Union Member State.

(3) The last intermediary shall, upon request, deliver to the shareholder without delay written proof of the participation of the shareholder's shares in the share capital for the purpose of exercising rights at the general meeting in accordance with Article 5 of Implementing Regulation (EU) 2018/1212 or shall transmit such proof to the company in accordance with paragraph 1 of this Article.

Information that the company has the right to request from the intermediary

Article 297d (OG 40/19, 130/23)

(1) Companies whose shares are admitted to trading on a regulated market may request from the intermediary who deposits company shares information on the identity of the shareholder and the next intermediary. The form and contents of such request are prescribed by Implementing Regulation (EU) 2018/1212.

(2) Information on the identity of the shareholder is determined by the provision of Article 3, paragraph 2, in connection with Table 2, letter C of the Annex to Implementing Regulation (EU) 2018/1212. For companies that are not legal

persons and are not registered, their members will be stated, as well as information about them in accordance with the first sentence of this paragraph. If more than one person is entitled to a particular share, they will be stated, as well as information about them in accordance with the first sentence of this paragraph.

(3) If the intermediary in the chain has no information about the identity of the shareholder requested by the company, it shall forward such request to the intermediary immediately preceding it in the chain within the time limit prescribed under the provisions of Article 9, paragraph 6, subparagraphs 1, 2 or 3, third sentence and paragraph 7 of Implementing Regulation (EU) 2018/1212, until it reaches the last intermediary.

(4) The last intermediary shall transmit the information about the identity of the shareholder in order to respond to the request by the company whose shares are admitted to trading on a regulated market. If the company requires to be informed by some other intermediary in the chain, each intermediary shall without delay transmit information to that intermediary or to the intermediary immediately following it in the chain until the intermediary from which the company requested information is reached. The intermediary from which the company requested information shall without delay forward to the company information it received from other intermediaries in the chain. The form, contents and time limits for responding to the request for information are prescribed by the provisions of Articles 2 and 3, Article 9, paragraph 6, subparagraphs 2 and 3 and paragraph 7 of Implementing Regulation (EU) 2018/1212.

(5) The provisions of paragraphs 1 to 4 of this Article shall also apply to requests for information of a company whose shares are admitted to trading on a regulated market with a seat in another European Union Member State.

(6) The provision of the first sentence of Article 297a, paragraph 2, of this Act shall apply accordingly to the provisions of this Article.

Processing and correcting shareholder's personal data

Article 297e (OG 40/19)

(1) Companies and intermediaries may process the shareholders' personal data for the purposes of identification, communication with shareholders, companies and intermediaries, exercising shareholders' rights, keeping the share register and cooperation with shareholders.

(2) If companies or intermediaries learn that a shareholder ceased to be a company's shareholder, they may store their personal data for no longer than 12 months, respecting other legal rules in doing so. It shall be permitted to store personal data for a longer period if this is necessary for conducting legal procedures prescribed by law.

(3) Intermediaries shall not violate their legal or contractual obligations if they disclose information about the shareholder's identity to the company or an intermediary in the chain in accordance with Article 297c of this Act.

(4) Any person identified on the basis of incomplete or erroneous information shall have the right to request from the company and the intermediary who forwarded that information to correct them without delay.

Costs

Article 297f (OG 40/19, 130/23, 136/24)

(1) The company shall cover the intermediary's necessary costs incurred while applying the provisions of Articles 297a to 297e and in connection with Article 281, paragraphs 1 and 5, and Article 274, paragraph 6 of this Act if they are based on the manner of undertaking actions which corresponds to the current status of technical development. The following costs shall be excluded:

1. necessary costs of the last intermediary incurred in transmitting information to shareholders in ways other than electronically in accordance with Article 297b, paragraph 1, first sentence; and
2. in case of a company that issued registered shares, necessary costs of the intermediary incurred in transmitting and forwarding information from the intermediary registered in the share register to the shareholder in accordance with Article 281, paragraph 5, in connection with Articles 297a and 297b of this Act.

Intermediaries shall publish their remunerations for each service performed under Articles 297a to 297e, Article 281, paragraph 1, first sentence and paragraph 5, Article 274, paragraph 6 and Article 285, paragraph 6, of this Act.

Intermediaries shall publish their remunerations separately for the company and for the shareholder they provide their service to. It shall not be allowed to charge different remunerations for exercising rights in the Republic of Croatia and abroad, unless this is exceptionally justified and if the difference is the result of different actual costs arisen from the performance of the service.

(2) The provisions of Implementing Regulation (EU) 2018/1212 shall apply to obligations under Articles 297a to 297e, Article 125, paragraph 1, first sentence, paragraphs 2 and 5 of this Act, and to the obligations regarding the confirmations referred to in Article 274, paragraph 6 and Article 285, paragraph 6, of this Act.

Subsection 7: Special audit

Appointment of special auditors

Article 298 (OG 114/22)

(1) The general meeting may, by simple majority, appoint special auditors for the examination of matters relating to the formation of the company or the management of the company's operations or the measures undertaken for the capital increases or capital reductions. No member of the management board or an executive director, and no member of the supervisory board or the board of directors, may vote on the appointment of special auditors either in their own name or in the name of another person if the audit concerns the performance assessment of a member of any of the said bodies or the initiation of a dispute between the company and any of the said persons. If a member of the management board or of the supervisory board shall not be entitled to vote pursuant to the previous sentence, such person's voting rights may not be exercised by another person on their behalf.

(2) If the general meeting rejects a motion to appoint special auditors, the court shall appoint special auditors upon motion by shareholders whose aggregate holdings amount to at least one twentieth of the company's share capital, provided that there is a reasonable suspicion that improprieties or gross breaches of the law or the articles of association have occurred in connection with the company's formation. The petitioners must deposit their share certificates, if the company has issued them, with the company, the notary public or the custodian financial institution until a decision on the petition is rendered and must provide proof that they have been the holders of the company's shares for at least three months prior to the date of the general meeting.

(3) The petition referred to in paragraph 2 of this Article shall be submitted to the court within 15 days of the date of the general meeting at which the motion for the appointment of special auditors was rejected.

(4) Special auditors may only be persons qualified to serve as certified auditors, which perform those activities.

(5) Where the general meeting has appointed a special auditor, the court shall, upon petition by the shareholders whose holdings amount to at least one tenth of the company's share capital or at least EUR 1,000,000.00 of that capital, appoint another auditor instead, if there is a reason to do that in the person of the auditor appointed by the general meeting, especially if the appointed auditor does not have the expertise required for performing audits, if they are too busy or if there are doubts as to their reliability. The petition shall be filed within fourteen days following the date of the general meeting at which the resolution on the auditor's appointment was passed. Prior to ruling on the matter, the court shall hear the auditor appointed by the general meeting.

Rights of special auditors. Audit report

Article 299

(1) The management board or the executive directors shall permit the special auditors to audit the company's books, records, and all that constitutes the company's assets.

(2) The special auditors may require from the members of the management board or executive directors and the members of the supervisory board or the board of directors all information and evidence required for a diligent audit of the relevant matters.

(3) The special auditors shall have the rights pursuant to paragraphs 1 and 2 of this Article also with respect to affiliated companies.

(4) The special auditors shall render a written report on the result of the audit. The special auditors shall sign the report and promptly submit such report to the company's management board and the court register where the company is registered. The management board shall provide a copy of the audit report to each shareholder upon request. The management board or the executive directors shall present the report to the supervisory board or the board of directors, and put it on the agenda for the next general meeting.

Costs of special audit

Article 300

- (1) The special auditors of the company are entitled to the reimbursement of their costs and to an appropriate remuneration for their services.
- (2) If the court appoints the auditors, it shall set the amount of costs to be reimbursed to them and the appropriate remuneration for their services.
- (3) If the petitioner for the appointment of special auditors has achieved the appointment of special auditors by making false statements either intentionally or by gross negligence and the audit report is positive, they shall be required to reimburse the company for the court costs and the costs of the special audit. The company shall bear the costs of the audit.

Chapter 5a ESTABLISHING OF ANNUAL FINANCIAL STATEMENTS

Preparation of financial statements

Article 300a

Financial statements shall be prepared by the management board or the executive directors, in accordance with accounting regulations.

Submission of financial statements to the supervisory board or the board of directors

Article 300b

- (1) The management board or the executive directors shall promptly upon their completion submit the annual financial statements and, if the company is required to prepare it, the report on the condition of the company to the supervisory board or the board of directors. The same shall apply to the parent company of a group in respect of the group's annual financial statements and the report on the condition of the group.
- (2) Concomitantly with submitting the annual financial statements, the management board or the executive directors shall submit to the supervisory board or the board of directors the proposal for distribution of profits that it intends to present to the general meeting (distribution to shareholders, entry in reserves, retained profits).
- (3) Every member of the supervisory board or the board of directors shall be entitled to examine the financial statements, the report on the condition of the company and the audit report. Such documents shall also be delivered to every member of the supervisory board, and where the said board has decided so, to the members of its committees.

Examination by the supervisory board or the board of directors

Article 300c

- (1) The supervisory board or the board of directors shall examine the annual financial statements, the report on the condition of the company, if the company is required to prepare it, and the proposal for distribution of profits. In the case of a group, the parent company's supervisory board or the board of directors shall also be required to examine the group's financial statements and the report on the condition of the group. If the annual financial statements are audited by an auditor, the auditor shall be required to participate in the meeting of the supervisory board or the board of directors and that of its committee in which the said reports are deliberated on, shall report on the results of their audit and provide whatever explanations they are asked to provide.
- (2) The supervisory board or the board of directors shall report on the results of its examination referred to in paragraph 1 of this Article in writing to the general meeting. In such report the supervisory board or the board of directors shall state in which manner and to what extent it has examined the management of the company's operations during the financial year. In the case of companies whose shares are admitted to trading on a regulated market, it shall also state in the said report which committees have been set up and how many meetings the supervisory board or the board of directors or such committees have held. Likewise, the supervisory board or the board of directors shall state its opinion on the results of the audit. In its report the supervisory board or the board of directors shall state whether or not it has objections to the submitted documents and reports and whether it consents to the annual financial statements as

prepared by the management board or the executive directors. Sentences 3 and 4 of this paragraph shall apply accordingly to the examination of the financial statements of the parent company in a group.

(3) The supervisory board or the board of directors shall submit its report to the management board or the executive directors within one month after receipt of all such statements that it needs to examine. If it fails to do so, the management board or the executive directors shall set an additional period not exceeding one month for the submission of the said report. If the supervisory board or the board of directors does not submit the report within such further period, it shall be deemed that it did not consent to the statements of the management board or the executive directors. The same shall apply to the annual financial statements of the parent company in a group.

Establishing of the annual financial statements by the management board and the supervisory board or the board of directors

Article 300d

(1) The annual financial statements shall be deemed to have been established by the management board and the supervisory board or the executive directors and the board of directors upon consent thereto by the supervisory board or the board of directors, unless they resolve that the annual financial statements are to be established by the general meeting. Such resolution by the management board and supervisory board or the executive directors and the board of directors shall be stated in and annexed to the report of the supervisory board or the board of directors to the general meeting.

(2) After the management board and the supervisory board or the executive directors and the board of directors or the general meeting establish the annual financial statements of the company and, where required, the consolidated financial statements, the company's management board or the executive directors shall promptly file the said reports together with the annual report on the condition of the company, if the company is required to prepare it, and the consolidated annual financial statement and the audit report for registration in the court register and the publication of their registration.

Establishing of the annual financial statements by the general meeting

Article 300e

(1) The annual financial statements shall be established by the general meeting if the management board and the supervisory board or the executive directors and the board of directors have resolved that the annual financial statements are to be established by the general meeting or if the supervisory board or the board of directors has not approved the annual financial statements submitted to it by the management board or the executive directors. The same shall apply in the case of annual financial statements of a parent company within a group.

(2) The provisions governing the preparation of the annual financial statements shall apply to their establishing. In connection with the establishing of the annual financial statements, the general meeting may transfer to profit reserves only those amounts that are required to be transferred to such reserves pursuant to law or the articles of association.

(3) If the general meeting amends the annual financial statements which has been audited by an auditor, its resolution on the establishing of the said financial statements and the distribution of profits shall become effective only after they have been audited by an auditor and the auditor issues an unqualified auditors' report with respect to such amendments. Such resolutions shall be null if an unqualified auditors' report has not been provided with respect to such amendments within two weeks after the passing of such resolutions.

Chapter 5b TRANSFER OF MINORITY SHAREHOLDERS' SHARES

Transfer of shares against the payment of severance fee

Article 300f

(1) The general meeting may resolve upon request of a shareholder holding at least 95% of the share capital (principal shareholder) that the minority shareholders' shares be transferred to the principal shareholder against the payment of adequate monetary severance fee.

(2) For the determination of whether the principal shareholder holds at least 95% of the share capital, the provision of Article 474, paragraphs 2 and 4, of this Act shall apply.

Monetary severance fee Article 300g (OG 34/22, 130/23)

(1) The principal shareholder shall set the amount of the monetary severance fee to be paid to minority shareholders. The said severance fee shall reflect the circumstances of the company at the time the resolution of the general meeting is adopted. The management board or the executive directors shall make available for inspection by the principal shareholder all necessary documents and supply information to this end.

(2) Interest shall accrue on the severance fee at the rate determined, for each half year, in the amount of three percentage points above the reference rate provided for in the act governing financial operations and pre-bankruptcy settlement from the moment of registration of the transfer resolution of the general meeting in the court register to the payment to minority shareholders. This shall not preclude the liability for any further damages.

(3) Before the management board convenes the general meeting, the principal shareholder shall deliver to the management board a bank declaration by which it jointly and severally guarantees the performance of the principal shareholder's obligation to pay the minority shareholders the severance fee, increased by the accrued interest, for the transferred shares immediately after registration of the general meeting transfer resolution in the court register. Instead of the bank declaration, the principal shareholder may submit a certificate of the central depository seated in the Republic of Croatia affirming that they have paid to the central depository account the full amount of the severance fee increased by a three months' interest which shall be used immediately after registration of the general meeting resolution in the court register to pay the severance fee to the shareholders, increased by accrued interest. The amount paid to the central depository account by the principal shareholder shall be deposited on a special-purpose account and shall not accrue to the liquidation or bankruptcy estate of the central depository nor can it be the subject of enforcement of claims against the central depository, with the exception of claims for payment of the severance fee with the accrued interest or claims for recovery of the amounts paid to the principal shareholder.

Preparation of the general meeting

Article 300h

(1) The publication of the notice of the general meeting which resolves on the transfer of the shares shall contain the following information:

1. the corporate name and seat of the principal shareholder, or in the case of natural persons, full name and domicile;
2. the severance fee set by the principal shareholder.

(2) The principal shareholder shall provide the general meeting with a written report that sets out the preconditions for the transfer of shares and explains and justifies the adequacy of the severance fee. The adequacy of the severance fee shall be reviewed by one or more experts. These shall be appointed by the court referred to in Article 40 of this Act on application of the principal shareholder. The provisions of Article 481a of this Act shall apply accordingly.

(3) From the convocation of the general meeting onward the following shall be made available in the company's business premises, in the company's seat, for inspection by the shareholders:

1. the draft of the transfer resolution to be adopted by the general meeting;
2. the annual financial statements and, if the company is required to prepare them, the reports on the condition of the company for the last three financial years;
3. the report made by the principal shareholder referred to in paragraph 2 of this Article;
4. the expert's report referred to in paragraph 2 of this Article.

(4) On request, each shareholder shall without undue delay and free of charge be given a copy of the documents listed in paragraph 3 of this Article.

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(5) The duties referred to in paragraphs 3 and 4 of this Article shall not arise if the documents referred to in paragraph 3 of this Article are made available on the company's website during the same period of time.

Conduct of the general meeting

Article 300i

At the general meeting the documents referred to in Article 300h, paragraph 3, of this Act shall be made accessible. The principal shareholder may be given the opportunity to orally explain the draft of the transfer resolution and the adequacy of the amount of the severance fee for the said transfer at the beginning of the meeting.

Registration of the transfer resolution in the court register

Article 300j

(1) The management board or the executive directors shall submit to the court of registration an application for registration of the transfer resolution passed by the general meeting in the court register. The application shall be accompanied by the minutes of the general meeting with the share transfer resolution and its annexes in the original or officially certified copy.

(2) The management board or the executive directors shall declare in the application that the resolution of the general meeting was not challenged within the prescribed period or that an action to challenge the resolution was dismissed with a final decision.

(3) Upon registration of the transfer resolution in the court register, all shares of the minority shareholders shall be transferred to the principal shareholder. If for these shares have been issued share certificates, they are inscribed with the claim for severance fee before their transfer to the principal shareholder.

(4) If upon registration of the share transfer resolution one shareholder acquires all the company shares, the application for registration of the share transfer resolution shall be accompanied by the application for registration of the data referred to in Article 189a of this Act.

Judicial examination of the adequacy of severance fee

Article 300k

(1) The transfer resolution cannot be challenged based on the fact that the amount of the severance fee set by the principal shareholder is inadequate. If the amount of the severance fee is inadequate, the court referred to in Article 40 of this Act shall set the adequate severance fee on request of a minority shareholder. The same applies if the principal shareholder has not or not duly offered a severance fee and a lawsuit to challenge the resolution was not brought or was not brought within the period for bringing such a lawsuit, or was withdrawn or dismissed by a final decision.

(2) The request referred to in paragraph 1 of this Article may be made to the court no later than two months from the date when, under the provisions of Article 64 of this Act, the registration of the share transfer resolution in the court register is deemed published.

(3) In the case of two or more proceedings, the court shall consolidate them. If the court determines that the amount of severance fee set by the principal shareholder is inadequate and that the principal shareholder should pay a higher amount of severance fee, or that the principal shareholder is required to pay severance fee set by them if they have not or not duly offered it, it shall order the principal shareholder to reimburse the shareholders who were parties to the proceedings for the costs of the proceedings.

(4) The judicial decision on the amount of severance fee pursuant to paragraph 3 of this Article shall be binding on all minority shareholders even if they were not parties to the proceedings in which it was set.

Chapter 6 AMENDMENT TO THE ARTICLES OF ASSOCIATION

Resolution of the general meeting

Article 301

(1) Any amendment to the articles of association shall require a resolution of the general meeting. The general meeting may confer upon the supervisory board or the board of directors the authority to make amendments to the articles of association that relate solely to the wording of the articles.

(2) The resolution of the general meeting on amendments to the articles of association shall require a majority of not less than three quarters of the share capital represented at the passing of the resolution. The articles of association may provide for a larger capital majority as well as for additional requirements.

(3) If the existing relationship of more than one class of shares as provided for in the articles of association is to be amended to the disadvantage of any class, the resolution of the general meeting shall require the consent of the shareholders adversely affected in order to be effective. The shareholders adversely affected shall decide on such consent by adopting a separate resolution pursuant to Article 295 of this Act.

Article 301a

Deleted

Consent of the shareholders concerned

Article 302

(1) Any resolution imposing additional obligations on shareholders shall require the consent of all shareholders concerned in order to be effective.

(2) The foregoing shall also apply to any resolution that makes the transfer of shares or interim share certificates subject to the company's consent.

Registration of amendment to the articles of association in the court register

Article 303

(1) An application for registration of any amendment to the articles of association in the court register shall be submitted to the court of registration. The full text of the articles shall be attached to such application; such text shall be provided with the certificate of a notary that the provisions of the articles of association which have been amended, the resolution to amend the articles of association and the provisions which have not been amended conform to the full text of the articles of association, kept at the court of registration, as attached to the application. If the amendment to the articles of association is subject to approval by a government authority, such approval shall be attached to the application.

(2) Unless the amendment relates to the data set out in Article 189 of this Act, a reference to the documents submitted to the court shall suffice for purposes of registration. If the amendment relates to data that must be made public, the amendment shall also be made public.

(3) An amendment shall become effective only upon registration thereof in the court register.

Chapter 7 SHARE CAPITAL INCREASE

Section 1 Capital increase against contributions

Requirements

Article 304

(1) A resolution to increase the share capital against contributions shall require a majority of not less than three quarters of the share capital represented at the passing of the resolution. The articles of association may provide for a different capital majority which in any case may not be less than two thirds of the share capital represented at the passing of the resolution by the general meeting. However, in the case of the issue of non-voting preferred shares, the articles of association may only provide for a larger capital majority represented at the passing of the resolution by the general meeting. Likewise, the articles of association may provide for additional requirements. The capital increase against contributions may only be carried out by issuance of new shares. In the case of companies with no-par-value shares, the total number of such shares shall be increased proportionately to the share capital increase.

(2) If there is more than one class of shares, resolutions of the general meeting on share capital increases shall require the consent of the shareholders of each class of voting shares in order to be effective. Such consent shall require a separate resolution by the shareholders of each class of shares as provided for in paragraph 1 of this Article.

(3) If the new shares are to be issued for an amount exceeding the portion of the share capital allocated to them, the minimum price they shall be issued for shall be stipulated in the resolution on the share capital increase.

(4) The share capital shall not be increased for as long as contributions to share capital are still outstanding and collectible, unless only an insignificant portion of the share capital has still not been paid up.

Capital increase against contributions of things and rights

Article 305

(1) In the case of a contribution of a thing or right (Article 176, paragraphs 1 and 2), the resolution on the share capital increase shall stipulate the thing or right contributed to the company, the person from whom the company is to acquire such thing or right and the par value of shares to be granted for the contribution of a thing or right and, in the case of no-par-value shares, only their number. Such resolution may only be adopted if the contribution of a thing or right and the stipulations pursuant to the first sentence have been explicitly and properly published.

(2) If the stipulations pursuant to the previous paragraph of this Article are not announced, agreements on contributions of things and rights and legal acts carried out towards the performance of the agreement shall be without effect as against the company. Where a share capital increase is entered in the court register, failure to act pursuant to paragraph 1 of this Article shall not affect the validity of the said increase. The shareholder shall pay the amount for which the shares were issued.

(3) In the case of a capital increase against contributions of things and rights, an audit shall be made by one or more auditors. The provisions of Article 182, paragraphs 3 and 4, Article 183 and Article 184 of this Act shall apply accordingly. The court shall refuse registration if the value of the contribution of a thing or right is materially less than the value of the share capital pertaining to the shares to be granted for such contribution.

Capital increase against contributions of things and rights without audit of share capital increase

Article 305a

(1) If the requirements pursuant to Article 185a of this Act are met, an audit of the share capital increase against contributions of things and rights shall not be necessary. If the audit is not conducted, the provisions of this Article shall apply.

(2) The management board or the executive directors shall publish the date of the resolution on the capital increase as well as the data pursuant to Article 187a, paragraph 1, of this Act in the company's official journal. The capital increase may not be registered in the court register before the expiry of four weeks since the said publication.

(3) If the requirements pursuant to Article 185a, paragraph 2, of this Act are met, the court shall appoint one or more auditors upon request by shareholders which held at least an aggregate of five per cent of the share capital on the date of the resolution on the share capital increase and are still holding those shares on the date of the request. The request shall be filed up until the date of the registration of the share capital increase. The court shall hear the management board or the executive directors before deciding on the request. The provisions of Article 40, paragraphs 2 and 3, of this Act shall apply hereto.

(4) The provisions of Articles 183 and 184 of this Act shall apply accordingly to further procedure.

Application for registration of the resolution in the court register

Article 306

(1) The resolution on the share capital increase shall be submitted to the court for registration in the court register. Such application shall be accompanied by the auditor's report referred to in Article 305a, paragraph 3, of this Act. If the capital contributions to the company shall be in the form of things or rights and there is no requirement to audit the share capital increase and if the date of the resolution on the share capital increase has been published in advance (Article 305a, paragraph 3), the persons submitting the application for registration only need to assert in it that they

have not become aware after the publication of the resolution on the share capital increase of any circumstance within the meaning of Article 185a, paragraph 2, of this Act.

(2) Such application for registration shall state which contributions to existing share capital are still outstanding and why they are not collectible.

(3) The audit report referred to in Article 305, paragraph 3, or the documents specified in Article 187a, paragraph 3, of this Act and proof of when the data referred to in Article 305a, paragraph 2, of this Act were published in the company's official journal shall be attached to the application referred to in paragraph 1 of this Article.

(4) The court shall refuse registration of the resolution if the value of the contribution of a thing or right is materially less than the value of the share capital pertaining to the shares to be granted for such contribution.

Subscription of new shares

Article 307

(1) Subscription to new shares shall be effected by means of a written statement (subscription form) specifying the number, par value, or if no-par-value shares are being issued, their number and, if more than one class is being issued, the class of shares to be subscribed. The subscription form shall specify:

1. the date on which the resolution on the share capital increase was adopted;
2. the share issue price, the amount of payments to be made and the scope of any additional obligations;
3. the stipulations required in the case of a capital increase against contributions of things or rights and, if more than one class is being issued, the portion of the share capital allocated to each class of shares;
4. the date on which the subscription shall cease to be effective if the completion of the share capital increase has not been registered by that date.

(2) Any subscription form which does not contain all such data or which contains limitations, other than the limitation pursuant to paragraph 1, item 4, of this Article shall be null.

(3) A subscriber may not assert the invalidity or non-binding nature of the subscription form once the completion of the share capital increase has been registered in the court register if they have by virtue of the subscription form exercised rights or performed obligations as a shareholder.

(4) Any restriction not contained in the subscription form shall have no effect in respect of the company.

(5) Paragraphs 1 to 4 of this Article shall not apply in cases where the provisions of a special act on securities issue is applicable.

Right of pre-emption with respect to subscription of new shares

Article 308 (OG 40/19)

(1) Each shareholder shall be entitled, upon request, to subscribe to new shares in proportion to their holdings in the existing share capital. A period of not less than 14 days shall be set for exercising such pre-emptive subscription right.

(2) Rights to subscribe to new shares may be granted only if the shareholders' subscription rights have been preserved.

(3) The management board or the executive directors shall announce and forward, in accordance with the provisions of Article 297a of this Act, the share issue price or the basis for setting such price and the subscription period referred to in paragraph 1 of this Article in the company's official journal. If only the basis for setting the said price has been announced, then the issue price shall be published in the company's official journal and through an electronic information service at least three days prior to the end of the subscription period.

(4) The pre-emptive share subscription right may be excluded in whole or in part in the resolution on the share capital increase. In such an event the resolution shall require, in addition to the requirements provided by law or the articles of association for the passing of the resolution on share capital increase, a majority of not less than three quarters of the share capital represented at the passing of the resolution by the general meeting. The articles of association may provide for a larger capital majority as well as for additional requirements.

(5) A resolution by which the pre-emptive subscription right is excluded in whole or in part may be adopted only if the proposed exclusion has been explicitly and duly published. The management board or the executive directors shall

make available to the general meeting a written report stating the grounds for the proposed exclusion, in whole or in part, of the pre-emptive subscription right. Such report shall provide an explanation of the proposed issue price.

(6) A resolution of the general meeting providing that the new shares are to be acquired by a credit or financial institution with the obligation to offer such shares to the shareholders for subscription shall not be deemed to constitute exclusion of the pre-emptive subscription right. The management board or the executive directors shall announce in the company's official journal the subscription offer of the credit or financial institution together with the specifications of the issue price and the deadline for the offer's acceptance. The foregoing shall apply if the new shares are to be acquired by a person other than a credit or financial institution with the obligation to offer such shares to the shareholders for subscription.

Application for registration of capital increase in the court register

Article 309 (OG 40/19)

(1) An application for registration of the completed share capital increase in the court register shall be submitted to the court of registration.

(2) The provisions of Article 179, paragraphs 3 and 5, Article 187, paragraph 1 and paragraph 2, item 3, and Article 187a of this Act shall apply accordingly to such application.

(3) The following shall be attached to the application referred to in paragraph 1 of this Article:

1. a list of the subscribers signed by the management board and stating the shares issued to each subscriber and the payments made in respect thereof, and in the cases referred to in Article 307, paragraph 5, of this Act, a copy of the communication sent to the Croatian Financial Services Supervisory Agency stating the number and percentage of subscribed and paid-up shares, the names of persons who paid up the shares and the amounts paid up as well as the confirmation of the bank at which the company holds a current account of the amounts paid up and deposited in a special account;

2. in the case of a capital increase by contributions of assets and rights, the agreements on which the stipulations pursuant to Article 305 of this Act are based or which have been entered into in execution thereof, and the audit report on such contributions;

3. a calculation of the costs which the company will incur through the issue of new shares;

4. if the share capital increase requires approval by a national authority, such approval.

(4) The proposal for and registration of the completion of the share capital increase may be made together with the application and registration of the resolution on such increase.

(5) The documents submitted shall be filed with the court in original, duplicate or officially certified copy, or in an appropriate electronic form.

Effectiveness of the capital increase

Article 310

The increase of the share capital shall become effective upon registration of the completion of the share capital increase in the court register.

Publication of share capital increase

Article 311

The publication of the registration of the share capital increase shall include, in addition to the registration entries, the share issue price, the stipulations required in respect of a capital increase against contributions of assets and rights and a reference to the report on the audit of contributions of assets and rights (Article 305, paragraph 3). If the share capital increase is not audited, the publication shall refer to the documents referred to in Article 187a, paragraph 3, of this Act. A reference to the documents submitted to the court shall suffice for the purpose of publication.

Prohibited issue of share certificates and interim certificates

Article 312

The rights arising from new shares may not be transferred and new share certificates and interim certificates may not be issued prior to registration of the completion of the share capital increase in the court register. New share certificates and interim certificates issued prior to such registration shall be null. The issuers shall be jointly and severally liable to the shareholders for any damage resulting from such issue.

Section 2 Conditional share capital increase

Requirements

Article 313

- (1) The general meeting may resolve upon an increase of share capital which shall be carried out only to the extent necessary for exercising the right to acquire shares referred to in paragraph 2 of this Article (conditional capital increase).
- (2) A resolution on a conditional capital increase may be adopted only for any of the following purposes:
1. to grant the company's creditors the right to convert convertible bonds into shares and the right of pre-emption to subscribe to new company shares;
 2. to prepare a merger of companies;
 3. to grant rights to shares to employees and members of the management board or the executive directors of the company or an affiliated company on the basis of a resolution of the general meeting; to grant rights of pre-emption to company employees related to subscription to new shares against contributions of monetary claims to which they are entitled on the grounds of their right to participate in the profits of the company;
 4. to grant shares of the parent company to shareholders or members of the subsidiary company pursuant to Article 492, paragraphs 2 and 3, of this Act if a control agreement or an agreement on the transfer of profit or shares of the principal company to the shareholders or members of the integrated company has been concluded pursuant to Article 504a, paragraph 2, of this Act.
- (3) The par value of conditional capital may not exceed one half, and the par value of the capital resolved on according to paragraph 2, item 3, of this Article may not exceed one tenth, of the share capital as at the date of the adoption of the resolution on the conditional capital increase. Article 304, paragraph 1, sentence 5 of this Act shall apply accordingly.
- (4) A resolution of the general meeting which contravenes the resolution on the conditional capital increase shall be null.
- (5) The provisions regarding the right of pre-emption to subscribe to new shares shall apply accordingly to convertible bonds.

Validity of the resolution on the conditional capital increase

Article 314

- (1) The resolution on the conditional capital increase shall require a majority of not less than three quarters of the share capital represented at the general meeting passing the resolution. The articles of association may provide for a larger capital majority as well as for additional requirements. The provisions of Article 304, paragraph 2, of this Act shall apply.
- (2) The resolution shall also stipulate:
1. the purpose of the conditional capital increase;
 2. the persons entitled to exercise the pre-emptive share subscription right;
 3. the share issue price or the basis on which such price is to be calculated; in the case of a conditional capital increase for the purpose referred to in Article 313, paragraph 2, item 1, of this Act, it shall suffice if the resolution on the share capital increase or the associated resolution pursuant to Article 341 of this Act determines the minimum share capital increase or the basis for the determination of the share issue price or the minimum share issue price;

4. in the case of resolutions according to Article 313, paragraph 2, item 3, of this Act, also the allocation of entitlement rights to employees and members of the management board, the goal to be achieved thereby, exercise period and the waiting period for first exercise (at least two years).

Conditional capital increase against contributions of things and rights

Article 315

(1) In the case of a contribution of a thing or right, the resolution on the conditional capital increase shall stipulate the object of the contribution, the person from whom the company shall acquire the object and the par value of the shares to be granted for the contribution and, in the case of no-par-value shares, the number of such shares. The delivery of bonds for conversion into shares granting pre-emptive share subscription rights shall not be deemed to constitute a contribution of a thing or right. The resolution may only be adopted if the contributions of things and rights have been explicitly and duly published.

(2) Absent the stipulations referred to in the previous paragraph of this Article in the resolution, agreements regarding contributions of assets and rights and legal transactions in execution thereof shall be invalid with respect to the company. If shares granting pre-emptive share subscription rights have been issued, the validity of the conditional capital increase shall not be affected by the fact that such agreements have no effect in respect of the company. The respective shareholders shall be obligated to pay the share issue price.

(3) The provisions of the previous paragraphs shall not apply to the conditional share capital increase for the reason referred to in Article 313, paragraph 2, item 3, of this Act.

(4) In the case of a capital increase against contributions of things and rights, an audit of the share capital increase shall be made by one or more auditors. In respect thereof the provisions of Article 182, paragraphs 3 and 4, Articles 183 and 184 of this Act shall apply accordingly. The provisions of Articles 305 and 305a of this Act shall apply accordingly. Instead of the date of the resolution on the share capital increase, the management board or the executive directors may publish the resolution on the issue of new shares against contributions of things and rights as well as the data referred to in Article 187a, paragraphs 1 and 2, of this Act in the company's official journal.

Application for registration of the resolution in the court register

Article 316 (OG 40/19)

(1) An application for registration in the court register of the conditional capital increase shall be submitted to the court of registration. The provision of Article 306, paragraph 2, of this Act shall apply accordingly.

(2) The following shall be attached to the application:

1. in the case of a capital increase against contributions of assets and rights, the agreements on which the stipulations pursuant to Article 314 of this Act were based or which have been entered into in execution thereof, or the report on the audit of such contributions (Article 315, paragraph 4) or the documents referred to in Article 187a, paragraph 3, of this Act;

2. a calculation of the costs which the company will incur through the issue of new shares;

3. if the share capital increase requires approval by a national authority, such approval.

(3) If the share capital increase is not audited, the provisions of Article 306, paragraph 1, sentence 3, and paragraph 3 of this Act shall apply accordingly to the application for registration in the court register of the completion of the share capital increase.

(4) The documents submitted shall be filed with the court in original, duplicate or officially certified copy, or in an appropriate electronic form.

(5) The court shall refuse registration of the resolution if the value of the contribution of a thing or right is materially less than the value of the share capital pertaining to the shares to be granted for such contribution. If the share capital increase against contributions of things and rights is not audited, the provisions of Article 188, paragraph 3, of this Act shall apply accordingly.

Publication of registration

Article 317

The publication of the registration of the resolution on the conditional capital increase in the court register shall include, in addition to the registration entries, the stipulations pursuant to Article 314, paragraph 2, the stipulations required by Article 315 of this Act in respect of contributions of things and rights, and a reference to the report on the audit of such contributions of things and rights (Article 315, paragraph 4). A reference to the documents submitted to the court shall suffice for purposes of complying with the stipulations required by Article 315 of this Act.

Prohibited issue of shares

Article 318

The new shares may not be issued prior to registration of the resolution on the conditional capital increase in the court register. A right to subscribe shall not arise prior to such date. New shares issued prior to such registration shall be null. The issuers shall be jointly and severally liable to the shareholders for any damage resulting from such issue.

Exercise notice in respect of the pre-emptive share subscription right

Article 319

- (1) Rights to subscribe shall be exercised by means of a written notice. Such notice (exercise notice) shall be executed in duplicate. The exercise notice shall state the number of shares subscribed, the par value, or in case of no-par-value shares, their number, and if more than one class is being issued, the class of shares, the stipulations required pursuant to Article 314, paragraph 2, of this Act, the stipulations required pursuant to Article 315 of this Act in respect of contributions of things and rights, and the date on which the resolution on the conditional capital increase was adopted.
- (2) The exercise notice shall have the same effect as a subscription certificate. Any exercise notice the contents of which does not comply with paragraph 1 of this Article or which contains limitations in respect of the obligation of the person giving such notice shall be null.
- (3) If new shares are issued despite the exercise notice being null, the person who has given such notice may not assert the invalidity of the exercise notice if they have by virtue of such notice exercised rights or performed obligations as a shareholder.
- (4) Any restriction not contained in the exercise notice shall have no effect in respect of the company.

Issue of shares

Article 320

- (1) The management board or the executive directors may issue shares only in fulfilment of the purpose stipulated in the resolution on the conditional capital increase and in no event prior to full performance of the price resulting from such resolution.
- (2) The management board or the executive directors may issue shares in exchange for convertible bonds only if the difference between the issue price of the bonds surrendered for conversion and the higher amount of share capital pertaining to the shares to be granted therefor is offset by other reserves which may be used for such purpose or by an additional payment from the person entitled to conversion. The foregoing shall not apply if the aggregate amount for which the bonds were issued equals or exceeds the aggregate amount of the share capital pertaining to the shares to be granted therefor.

Effectiveness of the capital increase

Article 321

The increase of the share capital shall become effective upon issue of the shares.

Application for registration of the issuance of shares

Article 322 (OG 40/19)

- (1) Within one month after the expiry of a financial year, the aggregate amount of shares issued in the that financial year in exchange for convertible bonds and in the exercise of pre-emptive share subscription rights shall be applied for registration with the court of registration.

(2) Copies of the exercise notices in respect of pre-emptive share subscription rights and a list, signed by the management board or the executive directors, of the persons who have exercised the said right, shall be attached to the application for registration. Such list shall state all the shareholders and the shares acquired by each shareholder and the contribution made in respect thereof.

(3) The application shall certify that the shares were issued solely in fulfilment of the purpose stipulated in the resolution on the conditional capital increase and in no event prior to full payment of the consideration.

(4) The documents submitted shall be filed with the court in original, duplicate or officially certified copy, or in an appropriate electronic form.

Section 3 Authorised share capital

Requirements

Article 323

(1) The articles of association may authorise the management board or the board of directors for a period not exceeding five years after registration of the company in the court register to increase the share capital up to a specified par value (authorised capital) by issuing new shares against contributions.

(2) Such authorisation may also be granted by amendment to the articles of association for a period not exceeding five years as from the date of registration of such amendment to the articles in the court register. The resolution of the general meeting shall require a majority of not less than three quarters of the share capital represented at the passing of the resolution by the general meeting. The articles of association may provide for a larger capital majority as well as for additional requirements. The provisions of Article 304, paragraph 2, of this Act shall apply.

(3) The par value of the authorised capital shall not exceed one half of the par value of the share capital as at the date of such authorisation. The management board may issue new shares only with the consent of the supervisory board. Article 304, paragraph 1, sentence 5 of this Act shall apply accordingly.

(4) The articles of association may also provide that the new shares are to be issued to employees of the company.

Issue of new shares

Article 324

(1) The provisions of Articles 307 to 312 of this Act relating to a share capital increase against contributions shall apply accordingly to the issue of new shares, unless the following provisions provide otherwise. In respect of such provisions the authorisation in the articles of association to issue new shares shall be substituted for the resolution on the share capital increase.

(2) The authorisation may provide that the management board or the board of directors shall have the authority to exclude pre-emptive share subscription rights. The provisions of Article 308, paragraph 4, of this Act shall apply accordingly if such authorisation is contained in an amendment to the articles.

(3) New shares shall not be issued as long as contributions to the previously existing share capital are still outstanding and collectible. The issue of new shares shall not be precluded if immaterial amounts of contributions are outstanding. The first application for registration of the completion of the share capital increase shall state which contributions to the previously existing share capital are still outstanding and why they are not collectible.

(4) The provisions of paragraph 3 of this Article shall not apply if the shares are issued to employees of the company.

Conditions of share issues

Article 325

(1) The management board or the board of directors shall, to the extent that the authorisation to increase the share capital does not contain provisions thereon, resolve on the rights arising under shares and the conditions of the share issue. The resolution of the management board shall require the consent of the supervisory board. The same shall apply to a resolution adopted by the management board with reference to exclusion of the pre-emptive share subscription rights referred to in paragraph 2 of the preceding Article.

(2) If there are non-voting preferred shares, preferred shares which have priority to or equal standing with respect to the distribution of profits or assets shall be issued only if the authorisation so provides.

Share issuance against contributions of things and rights

Article 326

(1) Shares shall be issued against contributions of things or rights only if the authorisation so provides.

(2) Unless stipulated in the authorisation, the object of the contribution of a thing or right, the person from whom the company is to acquire such object and the par value, and in case of no-par-value shares, the number of the shares to be granted for such contribution shall be stipulated by the management board or the board of directors and stated in the subscription form. The management board shall make such decision only with the consent of the supervisory board.

(3) In the case of share issuance against contributions of things and rights, an audit of the share capital increase shall be made by one or more auditors. The provisions of Article 182, paragraphs 3 and 4, Articles 183, 184, 305 and 305a of this Act shall apply accordingly in respect thereof. Instead of the date of the resolution on the share capital increase, the management board or the board of directors may publish its resolution on the issuance of new shares against contributions of things and rights as well as the data referred to in Article 187a, paragraphs 1 and 2, of this Act in the company's official journal.

(4) If the share capital increase is not audited, the provisions of Article 306, paragraph 1, sentence 3, and paragraph 3 of this Act shall apply accordingly to the application for registration in the court register of the completion of the share capital increase.

(5) The court shall refuse registration if the value of the contribution of things or rights is significantly lower than the share capital pertaining to the shares to be granted therefor. If the share capital increase is not audited (Article 305a, paragraph 1), the provisions of Article 188, paragraph 3, of this Act shall apply accordingly.

(6) If the resolution does not contain the stipulations required under paragraph 2 of this Article, agreements regarding contributions of things and rights and legal transactions in execution thereof shall be invalid with respect to the company. The foregoing shall also apply if the stipulations of the management board are not stated in the subscription form. If the share capital increase has been registered in the court register, the validity of the capital increase shall not be affected by the fact that such agreements and legal transactions have no effect in respect of the company. The respective shareholder shall be obligated to pay an amount equal to or exceeding the share issue price.

(7) The provisions of paragraphs 2 and 3 of this Article shall not apply to the contribution of monetary claims of the employees of the company arising from their right to a profit-sharing in the company.

Agreements regarding contributions of things and rights prior to registration of the company in the court register

Article 327

If prior to registration of the company in the court register, agreements have been entered into which provide for contributions of things and rights to be made against the authorised capital, the articles of association shall contain the stipulations for an issuance of shares against contributions of things and rights. The provisions of Article 176, paragraphs 3 and 5, Articles 181 to 184, Article 187, paragraph 2, items 2, 6 and 7, Article 187a and Article 188, paragraph 2, of this Act shall apply accordingly. In respect of such provisions the management board or the board of directors shall be substituted for the founders and the application for and registration of the completion of the share capital increase shall be substituted for the application for and registration of the company in the court register.

Section 4 Share capital increase from the company's assets

Requirements

Article 328

(1) The general meeting may resolve on an increase of the share capital by means of conversion of the capital reserve or profit reserves or retained profits into share capital.

(2) The provisions of Article 304, paragraph 1, and Article 306, paragraph 1, of this Act shall apply accordingly to the respective resolution and the registration of such resolution. Companies with no-par-value shares may increase their

share capital without issuing new shares. However, the resolution of the general meeting on the share capital increase shall specify the type of increase.

(3) The resolution on the share capital increase may only be adopted after the profit and loss statement for the financial year preceding that of the adoption of such resolution on the capital increase (last annual statement) has been established.

(4) The resolution shall be based on the annual financial statements.

Capital and profit reserves qualifying for conversion into share capital

Article 329

(1) The capital reserve and the profit reserves which are to be converted into share capital have to be shown in the financial statements. The capital reserve may be converted into share capital only if the capital reserve and the statutory reserve together exceed one twentieth of the previously existing share capital. The articles of association may provide for a higher proportion of such capital.

(2) The capital reserve and the profit reserves may not be converted into share capital if the profit and loss statement on which the resolution is based shows a loss. Reserves which are designated for a specific purpose may only be converted into share capital to the extent that such conversion is compatible with such designated purpose.

Financial statements on which the resolution is based

Article 330

(1) The resolution shall be based on last year's financial statements if such financial statements have been reviewed and established, and the auditors have confirmed them in compliance with statutory provisions without qualification, not more than eight months prior to the application for registration of the resolution in the court register.

(2) Unless the general meeting appoints another auditor, the auditor who was appointed by the general meeting to audit the last annual financial statements or who was appointed by the court for such purpose, shall be deemed to have been appointed.

Application for registration of the resolution in the court register

Article 331 (OG 40/19)

(1) The resolution on the share capital increase shall be registered in the court register. The application for registration in the court register of such resolution shall include the relevant financial statements together with the audit report and the last annual financial statements, if they are not already established. The applicants shall declare to the court that, to their knowledge, no reduction in the value of assets has occurred between the date constituting the basis of the financial statements and the date of the application which would preclude a capital increase if such resolution were to be adopted on the date of the application.

(2) The court may register the resolution on the share capital increase in the court register if the date of preparing the financial statements on which such resolution was based was no more than eight months prior to the application and a declaration in accordance with the previous paragraph of this Article has been given.

(3) The court need not examine whether the financial statements comply with statutory provisions.

(4) The registration entry of the resolution shall state that the share capital increase was made from the company's assets.

(5) The submitted documents shall be kept by the court in original, duplicate or officially certified copy, or in an appropriate electronic form.

Effectiveness of the capital increase

Article 332

(1) The increase of share capital shall become effective upon registration of the resolution on the share capital increase in the court register.

(2) New shares are considered as fully paid shares.

Persons entitled to new shares

Article 333

New shares shall be allocated to the shareholders in proportion to their holdings of the previously existing share capital. Any resolution of the general meeting to the contrary shall be null.

Right to a fraction of a share

Article 334

- (1) If the capital increase shall result in only a fraction of a new share being allocated on the basis of holding of the previously existing share capital, such right to a fraction of a share may be separately disposed of or inherited.
- (2) The rights arising under a new share, including the right to receive a share certificate, may be exercised only if rights to a fraction of a share that in aggregate comprise a full share are united in one person, or if several persons, whose rights to a fraction of a share comprise a full share, exercise such rights jointly.

Notice to shareholders

Article 335 (OG 40/19)

(1) After registration of the resolution on the share capital increase, the management board or the executive directors shall promptly request the shareholders to take over the new share certificates. The notice shall be published in the company's official journal and forwarded in accordance with the provisions of Article 297a of this Act). Such notice shall state:

1. the amount by which the share capital has been increased;
2. the proportion in which new shares have been allocated for previously existing shares.

Such notice shall further state that the company may, after three warnings, sell any shares for the account of the persons entitled thereto which have not been collected within one year after publication of the notice.

(2) Upon expiry of one year from the date of the publication of the notice, the company shall warn that any shares not collected may be sold. Such warning shall be published three times at intervals of not less than one month in the company's official journal. The last publication shall be made prior to the expiry of eighteen months from the date of publication of the notice.

(3) Upon expiry of one year from the date of the last publication of the warning, the company shall sell for the account of the persons entitled thereto any uncollected shares at the official price on a regulated market through the intermediation of a stock broker, and in the absence of such price, by public auction. The provisions of Article 346, paragraph 4, of this Act shall apply accordingly.

(4) The provisions of paragraphs 1 to 3 of this Article shall apply accordingly to companies that have not issued share certificates. Such companies shall request the shareholders to take over the new shares.

Own Shares. Partially paid shares

Article 336

(1) Own shares shall participate in an increase of share capital.

(2) Partially paid shares shall participate in an increase of share capital in proportion to their share in the share capital. Thus, the capital increase in respect of par-value shares may be carried out only by increasing the par value of such shares. If shares paid in full exist in addition to partially paid par-value shares, the capital increase in respect to such par-value shares paid in full shall be carried out by increasing the par value of the shares and issuing new shares. The resolution on the share capital increase shall specify the manner of the increase. If the capital increase is carried out by increasing the par value of the shares, the amount of such capital increase shall be so calculated that the amount allocated to each share is fully covered by the increase in the par value.

Preservation of the rights of shareholders and third parties

Article 337

- (1) The proportion of rights arising from shares shall not be affected by the share capital increase.
- (2) To the extent that specific rights arising from partially paid shares, in particular the right to participate in the distributions of profit or the right to vote, are determined by the contribution paid in respect of each share, the shareholders shall have such rights, until payment of the remaining contributions, only in proportion to the amount of the respective contributions increased by the percentage of par value increase of share capital. If further contributions are paid, such rights shall increase proportionately.
- (3) The financial terms of agreements between the company and third parties that are related to the distribution of the company's profits or the par value or market value of its shares or the value of its share capital or the relationship between capital and profit prior to the implemented increase shall not be affected by the capital increase. The foregoing shall also apply to the additional obligations of the shareholders.

Commencement of participation in profits

Article 338

- (1) Unless otherwise provided, the new shares shall participate in profits for the entire financial year in which the resolution on the share capital increase was adopted.
- (2) The resolution on the share capital increase may provide that the new shares also participate in the profits of the financial year which ended prior to adoption of the resolution on the capital increase. In such case the resolution on the share capital increase shall be adopted prior to adoption of the resolution on the distribution of profits for the financial year which ended prior to adoption of such resolution on the capital increase. The resolution on the distribution of profits from the previous year shall become effective only after the share capital has been increased. The said resolutions shall be null if the resolution on the share capital increase has not been registered in the court register within three months after adoption of the resolution. Such time period does not run for as long as an action to challenge or declare null the resolution is pending or any approval by a national authority required under law in connection with the share capital increase has not yet been granted.

Conditional capital

Article 339

Conditional capital shall increase in the same proportion as share capital. If the purpose of the conditional capital is to grant holders of convertible bonds the right to convert such bonds into shares, the difference between the issue price of bonds and the higher total value of the shares issued for conversion shall be covered from other reserves provided that additional payments by the persons entitled to conversion have not been agreed upon.

Prohibited issue of share certificates and interim certificates

Article 340

New share certificates and interim certificates may not be issued prior to registration of the resolution on the share capital increase in the court register.

Section 5 Convertible bonds and bonds with variable interest

Article 341

- (1) Bonds which grant their holders the right to convert such bonds into shares or the pre-emptive share subscription right (convertible bonds) and bonds in which the rights of the holders are related to the dividends paid to shareholders (bonds with variable interest) may only be issued on the basis of a resolution of the general meeting. The resolution shall require a majority of three quarters of the share capital represented at the general meeting at its passing. The articles of association may provide for a different majority and additional requirements. The provision of Article 304, paragraph 2, of this Act shall apply accordingly.
- (2) The management board or the board of directors may be authorised for a period of not more than five years to issue convertible bonds. The management board or the executive directors and the chairperson of the supervisory board or the board of directors shall submit to the court register the resolution on the issuance of convertible bonds and a statement

on their issuance. An announcement as to the resolution and the statement on issuance shall be published in the company's official journal.

(3) The provisions of paragraph 1 of this Article shall apply accordingly to granting of special participation rights in the company's profit.

(4) Shareholders shall have the pre-emptive right to acquire convertible bonds, bonds with a variable interest and special participation rights in the company's profit. The provisions of Article 308 of this Act shall apply accordingly.

Chapter 8 REDUCTION OF SHARE CAPITAL

Section 1 Ordinary share capital reduction

Requirements

Article 342

(1) A reduction of the share capital shall require a resolution which has been adopted by a majority of not less than three quarters of the share capital represented in the general meeting at the passing of the resolution. The articles of association may provide for a larger majority as well as for additional requirements.

(2) If the company has issued more than one class of shares, resolution of the general meeting on the share capital reduction will be valid only with the consent of the shareholders of each class of shares conferring voting rights. Such consent shall require a separate resolution by the shareholders of each class of shares. The provisions of paragraph 1 of this Article shall apply to the passing of such resolution.

(3) The resolution shall stipulate the purpose of the share capital reduction, in particular whether part of the share capital is to be paid back to the shareholders.

(4) The reduction of the share capital of a company with par-value shares requires the reduction of the par value of the shares. Where the amount of reduction of the share capital per each individual share would cause the par value of the share to be lower than the minimum amount permitted and could not be reduced further, the reduction shall be made by consolidating shares. The resolution shall stipulate in which manner the share capital reduction is to be made.

(5) The resolution shall specify the manner in which the share capital is to be reduced.

Application for registration of the resolution in the court register

Article 343

(1) An application for registration in the court register of the resolution on the reduction of share capital shall be submitted to the court.

(2) The following shall be attached to the application referred to in paragraph 1 of this Article:

1. an officially certified transcript or copy of the minutes of the general meeting at which the resolution on the share capital reduction was passed;
2. a copy of the amended articles of association certified by a notary public.

Effectiveness of the capital reduction

Article 344

The reduction of the share capital shall become effective upon registration of the resolution on the share capital reduction in the court register.

Protection of creditors

Article 345

(1) Creditors whose claims antedate the publication of registration of the resolution on the share capital reduction in the court register, and which may not request satisfaction, shall be granted security, upon request within six months of the date of such publication. Upon publication of the registration of the resolution in the court register, the creditors shall be

advised of such right. Creditors who in the case of bankruptcy have a preferential right to satisfaction from the bankruptcy estate shall not be entitled to request security.

(2) Payments to shareholders on the basis of the reduced share capital may only be made upon the expiry of six months from the date of the publication of registration of the resolution on the share capital reduction in the court register and after those creditors who have made a timely request have been satisfied or granted security or the court decides that the creditors' request need not be complied with. A release of shareholders from the obligation to make contributions shall not be effective prior to the aforementioned date and before the creditors who have made a timely request have been satisfied or granted security.

(3) The right of creditors to request security shall not be conditional on payments having been made to shareholders in connection with the reduction of share capital.

Cancellation of share certificates

Article 346 (OG 130/23)

(1) If share certificates are to be consolidated in connection with the reduction of share capital by exchanging or stamping share certificates or a similar procedure, the company may declare the share certificates which despite notice have not been surrendered to have been cancelled. The foregoing shall also apply to share certificates surrendered which are insufficient in number in exchange for new share certificates and which have not been submitted to the company for sale in the name of the persons entitled thereto.

(2) The notice to surrender share certificates shall give warning of cancellation. Cancellation may be made if the notice has been published in the manner prescribed by Article 214, paragraph 1, of this Act. Cancellation shall become effective upon publication in the company's official journal. Such publication shall designate the share certificates which have been cancelled in such a manner that it may be ascertained from the publication itself whether a share certificate has been cancelled.

(3) The new share certificates that are to be issued in place of the cancelled share certificates shall be promptly sold by the company in the name of the persons entitled thereto at the official stock exchange quotation through the intermediation of a stock broker, and in the absence of a stock exchange quotation, by public auction.

(4) If adequate results cannot be expected from a public auction at the company's seat, the shares shall be sold at some other appropriate location. The time, location and object of the auction shall be announced publicly. The persons concerned shall be notified separately; such notification may be omitted if not feasible. Such announcement and notification shall be made not less than two weeks prior to the auction. The proceeds shall be paid to the persons concerned.

(5) The provisions of paragraphs 1 to 4 of this Article on the shares being sold by the company in the name of the persons entitled thereto shall also apply to shares issued in book-entry form.

(6) If shares issued in book-entry form are to be consolidated in connection with the reduction of share capital, this shall be performed directly in the book-entry securities account of the central depository by exchanging the existing shares for new shares in accordance with the share exchange ratio, as provided for in the resolution on the share capital reduction.

(7) The existing shares or parts thereof remaining after the share consolidation because the number of shares in the securities account cannot be consolidated into a whole number of new shares shall be transferred to a special book-entry securities account, where they are calculated and consolidated into new shares. The company shall sell the new shares consolidated in the special book-entry securities account acting under paragraphs 3 and 4 of this Article.

(8) Shares consolidated as referred to in the previous paragraph of this Article that still could not be consolidated to a new share shall be cancelled upon publication in the company's journal, and the share capital shall be reduced by the par value of these shares, or the value of the share capital relating to non-par-value shares, as well as by any amount corresponding to part of the par value of the share, or part of the share capital relating to non-par-value shares, remaining after consolidation.

(9) The company shall publish the notification of the share consolidation no later than 14 days prior to the consolidation in the company's official journal, or on the company's website in the case of companies whose shares are admitted to trading on a regulated market.

(10) The company shall open the special book-entry securities account referred to in paragraph 7 of this Article at its own expense. Securities recorded in such account shall not accrue to the things or the bankruptcy or liquidation estate of the company, nor can they be the subject of enforcement of claims against the company, with the exception of the shareholder's claims against the company relating to the consolidation or cancellation of shares transferred to that account.

Application for registration of the completion of share capital reduction in the court register

Article 347

(1) An application for registration in the court register of the completion of the share capital reduction shall be submitted to the court of registration.

(2) The application for registration of the completion of the share capital reduction may be submitted together with the application for registration of the resolution on the share capital reduction.

Reduction of share capital to less than the minimum share capital value

Article 348

(1) The share capital may be reduced to less than the minimum value prescribed in Article 162 of this Act if the minimum value is restored by means of a capital increase which has been resolved upon at the same time as the capital reduction and for which contributions of assets and rights have not been stipulated.

(2) The resolutions on the share capital increase and reduction shall be null if the share capital increase has not been registered in the court register within six months after the date of adoption of the resolution on the share capital increase. The running of such period shall be tolled for as long as an action to challenge or nullify the resolution on the share capital decrease or increase is pending and, where required, an approval for the capital reduction or capital increase by a national authority has not yet been granted. The resolutions and the completion of the share capital increase may only be registered at the same time in the court register.

Section 2 Simplified procedure for capital reduction

Requirements

Article 349

(1) A simplified procedure may be employed for a share capital reduction for the purpose of compensation for a decline in the value of assets, offsetting other losses or transferring amounts to the capital reserve. The resolution shall stipulate that the share capital reduction is made for such purposes.

(2) The simplified procedure for capital reduction shall only be employed after any amount by which the sum of the statutory reserve and the capital reserve exceeds five per cent (5%) of the share capital remaining after such reduction and any amounts in the reserves pursuant to the articles of association and profit reserves have been released. Such share capital reduction shall not be performed for as long as profit carried forward is shown.

(3) The provisions of Article 342, paragraphs 1, 2 and 4, Articles 343 to 344 and 346 to 348 of this Act shall apply accordingly to share capital reduction pursuant to the foregoing paragraphs of this Article.

Prohibition of payments to shareholders

Article 350

The amounts that are obtained from the share capital reduction shall not be utilised for payments to shareholders or to release shareholders from their obligation to make contributions. Such amount shall be utilised only to compensate for declines in the value of assets, to offset other losses and to transfer amounts to the capital reserve or the statutory

reserve. Such amounts shall be utilised for such purpose only to the extent that the resolution states that such utilisation is the purpose of the reduction.

Payments of dividends

Article 351

Dividends shall not be paid for as long as the statutory reserve and the capital reserve in aggregate do not amount to five per cent (5%) of the share capital. For such purpose the share capital shall be deemed to be the par value which results from the capital reduction, but not less than the par value prescribed in Article 162 of this Act.

(2) A dividend exceeding four per cent (4%) of the portion of share capital allocated to the respective share shall not be paid earlier than the expiry of two financial years after the expiry of the financial year in which the resolution on the capital reduction has been adopted. The foregoing shall not apply if creditors whose claims antedate the registration of the resolution on the share capital reduction in the court register have been satisfied or provided with security, if they have filed a request for this purpose to the company within six months after publication of the annual financial statements which formed the basis for the adoption of the resolution on the dividend. Creditors who in the case of bankruptcy would be entitled to preferential right to satisfaction from the bankruptcy estate shall not be entitled to request security. If the company wants to pay dividends exceeding the above amount, it shall advise creditors in the publication of the annual financial statements on the basis of which it wants to make such payments of their right to request satisfaction or to be granted security.

Section 3 Share capital reduction by withdrawal of shares

Requirements

Article 352

(1) Shares may be withdrawn by compulsory withdrawal or by acquisition by the company itself. A compulsory withdrawal of shares may only be made if prescribed or permitted in the original articles of association or an amendment thereto made prior to acquisition or subscription of the shares.

(2) The provisions regarding an ordinary capital reduction shall govern such withdrawal. The conditions governing a compulsory withdrawal of shares and the respective procedure shall be stipulated in the articles of association or the resolution of the general meeting. The provisions of Article 345, paragraph 2, of this Act shall apply accordingly to the payment of the consideration that is to be granted to shareholders in the case of a compulsory withdrawal or an acquisition of shares for the purpose of withdrawal and to the release of such shareholders from the obligation to make contributions.

(3) The provisions regarding an ordinary capital reduction need not be observed if shares with respect to which the issue price has been paid in full:

1. are surrendered to the company free of charge;
2. are withdrawn by a charge to distributable profits or another reserve, to the extent a charge against such items may be made for such purpose; or
3. are no-par-value shares and the resolution of the general meeting provides that through the withdrawal the share of the remaining shares in the share capital increases according to the provision of Article 163, paragraph 5, of this Act; if the management board or the board of directors is authorised to withdraw shares, it shall also be authorised to adjust the number of shares indicated in the articles of association.

(4) In the cases referred to in the previous paragraph of this Article, a capital reduction by means of withdrawal of shares shall require a resolution of the general meeting. A simple majority of votes shall suffice for such resolution. The articles of association may provide for a larger capital majority and additional requirements. The resolution shall stipulate the purpose of the capital reduction. The resolution on the share capital reduction shall be filed with the court for the purpose of its registration in the court register.

(5) In the cases referred to in paragraph 3 of this Article, an amount shall be transferred to the capital reserve which is equal to the portion of the share capital allocated to the withdrawn shares. Except in case of share capital reduction, such amounts shall not be paid to shareholders.

(6) If a compulsory withdrawal of shares is prescribed by the articles of association, a resolution of the general meeting shall not be required. In such case, with respect to applicability of the provisions regarding an ordinary capital reduction, the resolution of the management board or the board of directors regarding withdrawal of shares shall be substituted for the resolution of the general meeting.

Effectiveness of share capital reduction

Article 353

The reduction of the share capital by the amount allocated to the shares withdrawn shall become effective upon registration of the resolution on the share capital reduction in the court register or, in the case of subsequent withdrawal, upon their withdrawal. In the case of a compulsory withdrawal prescribed by the articles of association, and if the general meeting does not resolve on such capital reduction, the reduction of the share capital shall become effective upon such compulsory withdrawal. The withdrawal shall require an act of the company that has the purpose of cancelling the rights arising with respect to specific shares.

Application for registration of the completion of share capital reduction in the court register

Article 354

(1) An application for registration in the court register of the completion of the share capital reduction shall be submitted to the court of registration. The foregoing shall also apply in the case of a compulsory withdrawal of shares prescribed by the articles of association.

(2) The application and registration of the completion of the share capital reduction may be combined with the application and registration of the resolution on the reduction.

Chapter 9 NULLITY OF RESOLUTIONS OF THE GENERAL MEETING

Grounds for nullity

Article 355 (OG 40/19)

Except in the case of Article 313, paragraph 4, Article 338, paragraph 2, Article 348, paragraph 2, and Article 300e, paragraph 3, of this Act a resolution of the general meeting shall be null if it:

1. was adopted in a general meeting which was not convened pursuant to Article 277, paragraphs 2, 3 and 6, of this Act, unless all shareholders participated in it;
2. has not been recorded in the minutes pursuant to Article 286, paragraph 1, sentence 1 of paragraph 2, and paragraph 4 of this Act;
3. is not compatible with the nature of the company or by its terms violates provisions which exist exclusively or primarily for the protection of the company's creditors or otherwise in the public interest;
4. by its terms is contrary to society's moral standards;
5. has been declared null by a judgment upon an action to challenge which is final.

Assertion of nullity

Article 356

(1) The nullity of a resolution of the general meeting shall not be asserted for the reason set out in Article 355, item 2, of this Act if the resolution has been registered in the court register.

(2) If a resolution of the general meeting is null for any of the reasons set out in Article 355, items 1, 3 or 4, of this Act, such nullity shall no longer be asserted if the resolution has been registered in the court register and three years have since lapsed. If upon expiry of such period an action to nullify the resolution of the general meeting is pending, such

period shall be extended until a decision on the action has been issued which is final or the action has been otherwise finally resolved. If a resolution of the general meeting is null pursuant to the provision of Article 355, item 1, of this Act for reason of a violation of Article 277, paragraph 6, second sentence, of this Act, such nullity shall no longer be asserted if the shareholders who were not duly called to the general meeting agree with the resolution.

(3) The provisions of paragraph 2 of this Article shall apply accordingly if in the case referred to in Article 338, paragraph 2, and Article 348, paragraph 2, of this Act the necessary registration entries have not been made within the periods prescribed.

Legal consequences of nullity

Article 357

(1) Nullity may be asserted by bringing an action or by any other means.

(2) If a shareholder, the management board or a member of the management board, an executive director or a member of the supervisory board or the board of directors brings an action against the company to declare a resolution of the general meeting to be null, the provisions of Article 363, paragraphs 2, 3 and 4, and Article 364 of this Act shall apply accordingly.

(3) Except in the case if Article 356 of this Act, a resolution of the general meeting which is null shall have no legal effect.

(4) Whatever is acquired from the company pursuant to a resolution of the general meeting which is null, shall be returned and the costs relating thereto reimbursed to it.

Nullity of the election of members of the supervisory board or the board of directors

Article 358

(1) The election of a member of the supervisory board or the board of directors shall, except for the reasons set out in Article 355, items 1, 2 and 5, of this Act, be null if:

1. the supervisory board or the board of directors is composed in violation of the provisions of law or the articles of association;
2. the general meeting has elected to the supervisory board or the board of directors a person that has not been nominated in accordance with law or the articles of association;
3. as a result of the election, the maximum number of members of the supervisory board or the board of directors set by law or the articles of association has been exceeded;
4. at the commencement of their term of office the person elected does not meet the requirements set forth in this Act for serving as a member of the supervisory board or the board of directors.

Nullity of the established annual financial statements

Article 359 (OG 130/23)

(1) In addition to what is laid down in respect of the nullity of any resolution of the general meeting, the resolution establishing annual financial statements shall be null if:

1. the content of annual financial statements violates regulations which exist exclusively or primarily for the protection of the interests of the company's creditors;
2. annual financial statements have not been audited, when they had to be audited by the law, or have been audited by unauthorised persons;
3. when preparing the annual financial statements, the provisions of law or the articles of association regarding the transfer of amounts to the reserves or regarding the release of amounts from the reserves have been violated;
4. the values shown in the items of the annual financial statements are overestimated; if the values are underestimated in order to misrepresent or conceal the asset position and financial performance of the company. The asset items shall be considered overestimated if they show higher values, and the liability items if they show lower values. The asset items shall be considered underestimated if they show lower values, and the liability items if they show higher values. Overestimation or underestimation of items of the annual financial statements shall be established in relation to the

values or amounts permitted or required under the applicable financial reporting standards. In the case of companies regulated by special regulations, the applicable financial reporting standards shall also include regulations on financial reporting of those companies;

5. the annual financial statements do not comply with the regulations governing the structure and contents of those statements, which significantly undermines their clarity and readability.

(2) The nullity of a resolution of the general meeting on establishing the annual financial statements, as well as the nullity of resolutions of the management board or the executive directors and the supervisory board or the board of directors on establishing of those statements shall cause the nullity of the resolution of the general meeting on the distribution of profits adopted on the basis of those null resolutions.

(3) The resolutions of the management board or the executive directors and the supervisory board or the board of directors establishing the annual financial statements shall also be null for the reasons referred to in paragraph 1.

Grounds for an action to challenge

Article 360 (OG 40/19, 130/23, 136/24)

(1) A resolution of the general meeting may be challenged upon an action based on violation of law or the articles of association.

(2) An action to challenge a resolution may also be based on the grounds that a shareholder has attempted by exercising voting rights in the general meeting to attain special advantages for themselves or another person to the detriment of the company or other shareholders and that the resolution is apt to serve such purpose. The foregoing shall not apply if the resolution grants to other shareholders adequate compensation for their losses resulting from such resolution.

(3) An action to challenge a resolution of the general meeting cannot be based:

1. on a violation of rights exercised electronically pursuant to the provisions of Article 274 of this Act where the violation was caused by a technical malfunction or obstacle, unless the company can be accused of gross negligence or intent; the articles of association may provide for a stricter standard of fault;
2. on a violation of the provisions of Article 277, paragraph 8, Article 280a or Article 297a or Article 297b of this Act.

(4) An action to challenge a resolution of the general meeting may be based on the grounds of incorrect, incomplete or refused information if a shareholder of rational and sound reasoning would have regarded the provision of the information as essential for their ability to duly exercise their participation and membership rights. An action to challenge a resolution of the general meeting may not be based on the provision of incorrect, incomplete or insufficient information with respect to the amount or appropriateness of compensation payments, severance fee, additional payments or other forms of compensation if the law stipulates that complaints in respect thereof are to be made within the framework of non-contentious civil proceedings.

Ratification of voidable resolutions

Article 361

An action to challenge a resolution of the general meeting may not be brought if the general meeting has ratified a voidable resolution by a new resolution and an action to challenge such resolution was not instituted within the period of limitation for such action or such action to challenge was dismissed in a final decision. If the plaintiff has a legal interest in having the voidable resolution declared null for the period until the passing of the new resolution on ratification, they may continue to pursue such action for the purpose of having such voidable resolution declared null for such period.

Standing to institute an action to challenge

Article 362

The following persons shall have standing to institute an action to challenge a shareholders' resolution:

1. each shareholder who was present at the general meeting, acquired the shares prior to the publication of the meeting's agenda and has objected to the resolution in the minutes;
2. each shareholder who was not present at the general meeting if they were wrongfully refused admission to the general meeting or if the meeting was not duly convened or supplements to the object of the resolution were not duly published, or if the shareholder acquired the shares prior to the publication of the agenda of the general meeting;
3. in the case referred to in Article 360, paragraph 2, of this Act each shareholder, provided that they acquired the shares prior to the publication of the agenda of the general meeting;
4. the company's management board or the board of directors;
5. each member of the management board or the executive director and each member of the supervisory board or the board of directors if by executing the resolution they would commit a punishable act or illegal act or would be liable for damages.

Action to challenge

Article 363 (OG 136/24)

- (1) Any action to challenge shall be instituted exclusively with the court referred to in Article 40, paragraph 1, of this Act within 30 days after adoption of the resolution. If the plaintiff was present at the general meeting which adopted the resolution, such period shall start to run from the day after the day on which the general meeting that adopted the resolution ended. If the shareholder was not present at the general meeting which adopted the resolution, the period shall start to run from the day after the day they could have learnt of the resolution.
- (2) The action shall be brought against the company. The company shall be represented by the management board or the executive directors and the supervisory board. If the action is brought by the management board or a member of the management board or an executive director, the company shall be represented by the supervisory board or the board of directors; if the action is brought by a member of the supervisory board or the board of directors, the company shall be represented by the management board or the executive directors.
- (3) In the case of two or more proceedings, the court shall consolidate them. Proceedings to challenge shall be urgent. Immediately after the expiry of the thirty-day period referred to in paragraph 1 of this Article, the company shall have the right to inspect the statement of the case filed even before the action is served and ask the court to provide it with copies.
- (4) The management board or the executive directors shall promptly announce the institution of any such action and publish the date for hearing in the company's official journal. A shareholder may only join the action as intervenor within one month of the publication of the notice.
- (5) Deleted.

Value of the subject matter of the litigation

Article 363a (OG 40/19, 114/22)

- (1) For determining the value of the subject matter of the litigation, the value that the plaintiff stated in the action shall be relevant.
- (2) If the plaintiff stated the value of the subject matter of the litigation evidently too high or too low, the court shall, ex officio or at the respondent's objection, after giving the parties the possibility to declare themselves with respect to this, determine the value of the subject matter of the litigation in an order against which no special appeal may be lodged.
- (3) The court shall determine the value of the subject matter of the litigation by taking into consideration all circumstances of the respective case, in particular the importance of the matter for the parties or shall determine such value at its discretion. Such value shall only exceed one-tenth of the share capital or, if such one tenth exceeds EUR 500,000.00, exceed that amount if the importance of the subject matter for the parties requires a higher valuation.

(4) If a party to the dispute furnishes proof that the assessment of the value of the subject matter of the litigation pursuant to paragraphs 1 and 3 of this Article would materially impair its financial condition, the court may upon motion order that the party's obligation to pay court costs shall be determined on the basis of a value which has been adjusted to reflect such financial condition. As a consequence of such order, the benefiting party shall only be required to pay attorney fees that have been determined on the basis of such adjusted value. If costs of litigation are imposed on or assumed by such party, such party shall be required only to reimburse the costs and fees which have been paid by the other party on the basis of such adjusted value. If costs other than court fees are imposed on or assumed by the other party, the attorney of the benefiting party may collect their fees from the other party on the basis of the value of the litigation applicable to such other party.

(5) The motion for the assessment of litigation costs referred to in paragraph 4 of this Article may be made prior to the hearing of the subject matter. A subsequent motion shall only be made if the value of the subject matter of the litigation which has been assumed or set is increased by the court. The other party to the dispute shall be heard prior to any decision on such motion.

Provisional measures

Article 363b

The court may impose a provisional measure staying the execution of a resolution against which an action to nullify has been brought if it is probable that by the said resolution's execution the company would suffer irreparable damage.

Effect of judgment

Article 364

(1) If the resolution of the general meeting has been declared null by a final judgment, such judgment shall be binding on all shareholders and the members of the management board and the supervisory board or the board of directors even if such persons were not parties to the action. The management board or the executive directors shall promptly submit the judgment to the court of registration. If the resolution that has been declared null by a judgment has been registered in the court register, the judgment shall likewise be registered. The registration of the judgment in the court register shall be published in the same manner as the registration of the resolution. A company whose shares are traded on a regulated securities market shall promptly publish the judgment in the company's official journal. If by its judgment upon an action to nullify or its judgment challenging a resolution of the general meeting the court decides that the resolution of the general meeting is null, the judgment shall not be registered in the court register if by its final order as referred to in Article 366a, paragraph 1, the court determines that a defect of the resolution does not affect its enforceability and therefore the validity of its registration in the court register.

(2) If the resolution contained an amendment to the articles of association, the application for registration of the amendment to the articles in the court register shall also include the judgment together with the full text of the articles resulting from the judgment and all previous amendments to the articles and certification of a notary with respect to the completeness of such text.

Action to challenge a resolution on the distribution of distributable profits

Article 365 (OG 114/22)

(1) In addition to the reasons for which an action to challenge any resolution of the general meeting may be brought, an action to challenge a resolution on the distribution of distributable profits may also be brought if, in spite of the fact that the payment of amounts from distributable profits as dividends to the shareholders is not precluded by law or the articles of association, such payments are not made even though according to reasonable business judgment and taking account of the circumstances in which the company conducts business this should be done.

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(2) An action to challenge the resolution referred to in the previous paragraph of this Article may be brought by shareholders whose aggregate shareholdings equal or exceed one twentieth of the share capital or represent an amount of the share capital corresponding to at least EUR 500,000.00 and by the supervisory board.

Action to challenge a share capital increase against contributions

Article 366

In addition to the reasons for which an action to challenge any resolution of the general meeting may be brought, an action to challenge a resolution on a capital increase against contributions may also be brought if the right of the shareholders to acquire shares has been excluded in whole or in part and the issue price or the minimum price for the issuance is inadequately low. The foregoing shall not apply if the new shares are to be acquired by a third party subject to the obligation to offer the shares to the shareholders for acquisition.

Registration in the court register of the resolution against which an action to nullify has been brought

Article 366a (OG 40/19, 114/22, 136/24)

(1) If an action to nullify or challenge a resolution of the general meeting seeks to establish the nullity of a resolution on amending the articles of association that enables shareholders to participate in the work of the general meeting and exercise their rights at the general meeting by electronic communication, a change in the amount of share capital and, therefore, a resolution on amending the articles of association, the issuance of bonds, an entrepreneurial agreement, the company's merger with a future parent company, a domestic merger, acquisition and division of a company, the transfer of shares of minority shareholders, as well as when an action seeking to nullify a resolution of the general meeting is not permitted under this Act, the court of litigation may upon the company's motion issue an order allowing for the resolution's registration in the court register and precluding any of its defects to affect the enforceability of the registration. Proof shall be furnished of the facts on the basis of which such order may be issued.

(2) The court may issue the order referred to in paragraph 1 of this Article if:

1. an action is inadmissible or manifestly unfounded; or
2. the plaintiff fails within one week from when the company's motion has been served on them to furnish documents or the certificate referred to in Article 297c, paragraph 2, of this Act proving that at the time of publication of the notice of the general meeting at which the challenged resolution was adopted they held and still hold shares representing at least EUR 100.00 of the company's share capital; or
3. the court shall in its discretion immediately give priority to the effect of the resolution of the general meeting because considerable damage to the company and its shareholders has precedence over damage to the plaintiff, unless the matter concerns an especially grave violation of the law.

(3) The final order referred to in paragraph 1 of this Article, shall be binding on the court of registration. Its stipulations shall produce effect in respect of everyone. The court shall decide on the motion no later than three months from the date the motion is made. Deferred issuance of the order shall be reasoned by a special order against which no appeal shall be possible. In urgent cases such order may also be issued without holding a hearing. An appeal may be lodged against the order within three days from its service to the party. The second-instance court shall decide on the appeal within thirty days.

(4) If an action to challenge is shown to be founded, the company that obtained the order referred to in paragraph 1 of this Article shall redress the damage suffered by the plaintiff as a result of the registration of the resolution in the court register on the basis of the court order. It shall not be requested that the effects of the resolution's registration in the court register be nullified.

Chapter 10 DISSOLUTION

Grounds for dissolution

Article 367 (OG 40/19)

(1) The grounds for dissolution shall be as follows:

1. expiry of the period set in the articles of association, in case the company was founded for a definite period of time;

2. resolution of the general meeting; such resolution shall require a majority of not less than three quarters of the share capital represented at the passing of the resolution; the articles may provide for a larger majority as well as for additional requirements;

3. a final ruling of the court of registration ordering the deletion of the company ex officio;

4. merger by acquisition, merger by formation of a new company and full division;

5. institution of bankruptcy proceedings;

6. nullity of the company;

7. closing of the company.

(2) A company that lacks assets may be dissolved by being struck off the court register by the court of registration upon motion by a competent body of the Tax Administration or ex officio. The court of registration shall delete the company from the court register ex officio if in violation of its statutory obligation, where such statutory obligation exists, the company fails to publish its annual financial statements accompanied by the relevant documents three years in a row and fails to provide such statements and documents to the said court within six months from when the court informs it of its intention to delete it from the court register, provided the company has failed to furnish proof within the set period that it has assets. Company liquidation shall not take place and the company shall be dissolved by being struck off the court register. If after deleting the company from the court register it becomes apparent that there are assets subject to distribution, liquidation shall take place. The liquidators shall be appointed by the court upon motion by a party concerned.

(3) The court of registration shall inform the company's legal representatives of its intention to delete the company from the court register pursuant to the regulations on the service of written submissions and shall set an appropriate deadline for the filing of objections. The court shall determine that the intention to delete the company from the court register and the setting of a deadline for the filing of objections be published in the same manner as the registration in the court register. In such cases an objection may be filed by anyone having a justified interest in avoiding the company being deleted from the court register.

(4) The articles of association may stipulate other grounds for the company's dissolution.

Registration in the court register

Article 368 (OG 110/15)

(1) If the resolution on the company's dissolution is adopted by the general meeting, an application for registration in the court register of such resolution shall be submitted to the court. If the company's dissolution is decided on by the court, such decision shall be registered in the court register ex officio.

(2) If, even after the court of registration has called on the company to submit the application referred to in this Article, no such application is submitted or is not submitted in the case of a company being dissolved pursuant to Article 367, paragraph 1, item 1, of this Act, the said court shall call again on the company to submit such application warning it that unless it does so, it will register ex officio in the court register, upon the expiry of the given term, the existence of a ground for the company's dissolution and shall declare that the court referred to in Article 40, paragraph 1, of this Act shall appoint liquidators.

(3) The decision on the company's dissolution shall be published by the commercial court on its website.

Requirement of liquidation

Article 369

(1) Liquidation shall take place unless bankruptcy proceedings have been instituted over the company's assets. If the company has been dissolved pursuant to Article 367, paragraph 1, item 4, of this Act, the liquidation of the company shall not take place.

(2) Unless this Act or the purpose of the liquidation requires otherwise, the provisions governing companies that are not in liquidation shall apply to the company until completion of the liquidation.

Designation in corporate name

Article 370

Upon registration of the decision on the company's liquidation in the court register, the company's corporate name shall include the designation "u likvidaciji" ("in liquidation").

Liquidators

Article 371 (OG 114/22)

- (1) The members of the management board or the executive directors shall carry out the liquidation as liquidators.
- (2) The articles of association or a resolution of the general meeting may appoint other persons as liquidators. The provisions of Article 239, paragraph 2, of this Act shall apply accordingly to the selection of the liquidators. A legal person may also act as liquidator.
- (3) The court shall appoint or remove liquidators for just cause upon motion by the supervisory board or the board of directors or shareholders whose shares in aggregate amount to at least one twentieth of the share capital or represent an amount of the share capital corresponding to at least EUR 500,000.00. The shareholders shall furnish proof that they have been the holders of the shares for not less than three months.
- (4) The liquidators appointed by the court shall be entitled to reimbursement of reasonable costs they incur as liquidators and remuneration for their services. If the liquidator appointed by the court and the company do not agree, the court shall stipulate the costs and the remuneration.
- (5) Liquidators who have not been appointed by the court may be removed by the general meeting at any time.
- (6) Unless the resolution on the company's dissolution stipulates otherwise, the provisions of this Act and the articles of association on the company's management board shall apply accordingly to liquidators.

Application for registration of liquidators in the court register

Article 372 (OG 40/19)

- (1) The application for registration in the court register of the appointed first liquidators and their representative authorities shall be submitted to the court of registration. The liquidators shall submit to the court an application for registration in the court register of every change relating to the liquidators and to their representative authorities.
- (2) The records regarding the appointment or removal of liquidators and their respective representative authority shall be attached to the application in the original or officially certified copy.
- (3) The liquidators shall affirm that no circumstances exist which preclude their appointment pursuant to law and that they have been informed of their obligation to duly inform the court.
- (4) The appointment or removal of liquidators by the court shall be registered in the court register ex officio.
- (5) Deleted.

Notice to creditors

Article 373 (OG 110/15, 136/24)

With reference to the dissolution of a company, creditors shall be notified to file their claims. Such notice shall be published both in the company's official journal and on the website of the court register, and it shall include a note stating that creditors need to file their claims with the company within six months of the publication date of the notice.

Duties of the liquidators

Article 374

- (1) The liquidators shall wind up all current transactions, collect claims, convert the remaining assets to money and provide satisfaction to the creditors. To the extent required to carry out the liquidation, the liquidators may also enter into new transactions.
- (2) Within the scope of their assigned functions, the liquidators shall have the same rights and duties as the management board or the executive directors and shall be subject to the supervision of the supervisory board or the board of directors.

(3) The prohibition on competition that applies to members of the company's management board or the executive directors shall not apply to the liquidators.

(4) All business letters which are addressed to a specific recipient shall state the company's legal form and seat, the fact that the company is in liquidation, the court of registration of the company, the number under which the company has been registered in the court register, and the full names of all liquidators and the chairperson of the supervisory board or the board of directors. If information is provided regarding the company's capital, the amount of the share capital shall be stated and, if the issue price has not been paid in full, the amounts of outstanding contributions.

Representative authority of the liquidators

Article 375

(1) The liquidators shall represent the company.

(2) If more than one liquidator has been appointed, all liquidators shall represent the company jointly, unless the articles of association or the court, if the court appointed them, provide otherwise. If a declaration of intent is to be made to the company, it shall suffice if such declaration is made to one liquidator.

(3) The articles of association or the court, if the liquidators were appointed by the court, may also provide that individual liquidators are authorised to represent the company by acting solely or jointly with the procurator. The supervisory board or the board of directors may so provide as well if authorised to do so by the articles of association or a resolution of the general meeting.

(4) Liquidators authorised to represent the company by acting jointly may authorise individual liquidators to engage in certain transactions or kinds of transactions. The foregoing shall apply accordingly if an individual liquidator is authorised to represent the company by acting jointly with the procurator.

(5) The authority of the liquidators to represent the company shall not be restricted.

(6) Liquidators shall sign documents in the name of the company indicating the corporate name and adding the designation that the company is in liquidation.

Opening liquidation financial statements

Article 376

(1) Immediately upon taking up office the liquidators shall prepare the opening liquidation financial statements.

(2) The general meeting shall resolve on establishing the opening liquidation financial statements and on the ratification of the acts of the liquidators and the members of the supervisory board or the board of directors. The provisions governing the making of annual financial statements shall apply accordingly to the making of the opening liquidation financial statements. The opening liquidation statement of the company's financial position shall specify the value of the company's assets, liabilities and capital.

(3) The court may exempt the company from the requirement of an audit of the annual financial statements if the condition of the company is so readily apparent that an audit does not appear to be necessary in the interest of the creditors and the shareholders.

Suspension of liquidation and institution of bankruptcy proceedings

Article 377

If on the basis of the claims filed the liquidators establish that the company's assets do not suffice to satisfy all the creditors' claims inclusive of interest, they shall immediately suspend the liquidation and propose the institution of bankruptcy proceedings.

Liquidation report and proposal for the distribution of assets

Article 378

(1) Unless otherwise provided for in the resolution on the dissolution of the company, after fulfilment of all liabilities of the company, the liquidators shall prepare a report on the completed liquidation and a proposal for the distribution of the company's assets.

(2) Unless otherwise provided in the resolution on the company's dissolution, the report and the proposal referred to in the previous paragraph of this Article shall be approved by the body that adopted such resolution.

(3) If the approval of the report and the proposal is within the competence of the general meeting but the said meeting is not held after two notices of the meeting have been duly given or is held but is not competent to pass resolutions, it shall be deemed that the said report and proposal have been approved in the form proposed.

Protection of creditors

Article 379 (OG 110/15)

(1) The company assets may only be distributed to shareholders if one year has elapsed from the publication date of the notice to creditors inviting them to file their claims.

(2) If a creditor does not file their claim, the amount owed shall be placed on deposit for them with the court of registration, while their assets shall be deposited in a public warehouse for a period of four months. If, due to no fault of the company, the creditor's claim cannot be satisfied during the said period, the money or the purchase acquired through a public auction, reduced by the storage costs and the costs of sale, shall be deposited with the municipality on the territory of which the company's seat is located, unless the decision on the distribution of assets provides otherwise.

(3) Creditors whose claims were not known to the company and were not filed in due time may only request that such claims be satisfied from the assets not yet distributed to the shareholders.

(4) If a creditor's claim is disputed, the assets of the company may only be distributed among shareholders if security has been provided to such creditor that their claim would be satisfied if subsequently determined to be founded.

(5) A shareholder having a claim toward the company other than that arising from his/her status as a shareholder shall enforce such claim of theirs in the same manner as the other creditors.

Distribution of assets

Article 380

(1) Pursuant to a resolution on the distribution of assets the liquidators shall distribute the assets to shareholders as provided for in the articles of association within 30 days of the date of the passing of the resolution.

(2) The assets shall be distributed in proportion to the shares in the share capital unless shares exist which grant different rights with respect to the distribution of the company's assets.

(3) If the contributions to share capital have not been made in the same proportion with respect to all shares, the contributions made shall be refunded and any surplus remaining distributed in proportion to the shares in the share capital. If the assets do not suffice to refund the contributions, the shareholders shall bear the loss in proportion to the shares in the share capital.

Reimbursement and remuneration of liquidators

Article 381

(1) The liquidators shall be entitled to reimbursement of reasonable costs and remuneration for their services. Such reimbursement and remuneration shall be paid by the company. The general meeting and, in case of dispute, the court shall set such reimbursement and remuneration.

(2) Payments referred to in the previous paragraph of this Article shall be made after all the claims of the creditors have been satisfied and before the company's assets are distributed among the shareholders. Payments relating to the costs incurred by the liquidators and remuneration for the liquidators' services may also be made during liquidation, before the creditors' claims have been satisfied, if it is apparent that this will not affect the fulfilment of liabilities as against the creditors.

Termination of liquidation proceedings

Article 382 (OG 40/19, 34/22)

- (1) After the company's assets have been distributed among the shareholders, the liquidators shall submit to the general meeting the final liquidation accounts and the report on the completed liquidation.
- (2) The liquidators shall submit to the court an application for the company's deletion from the court register. Such application shall be accompanied by the resolution of the general meeting and a copy of the minutes showing that the general meeting has approved the final liquidation financial statements and the liquidators' reports and given clearance to the liquidators. The provision of Article 378, paragraph 3, of this Act shall apply accordingly.
- (3) The company shall be dissolved upon its striking off from the court register.
- (4) The liquidators shall keep the company's books and records for the period stipulated in special regulations or shall entrust them with a person providing services of storing business records in accordance with the rules governing the handling of archival materials and archives. The company's books and records may also be stored in electronic form. The data registered in the court register shall specify with whom and where the company's books and records have been stored. The compensation for storage and keeping of the company's books and records shall be borne by the company before its deletion from the court register, and shall not exceed the justified costs of digitalisation, inventorying and safekeeping and protection in electronic form of company books and records.
- (5) The court shall permit the company's shareholders and creditors as well as other persons who furnish proof that they have a justified interest to inspect the books and records referred to in the previous paragraph of this Article. Inspection and copying of the company's stored books and records shall be subject to a compensation which may not be higher than the compensation for inspection and copying of archival materials deposited in the Croatian State Archives.
- (6) If it subsequently becomes apparent that further liquidation measures are necessary, the court shall upon motion by a party with a legal interest in this reappoint the previous liquidators or appoint new liquidators.

Liquidators' liability for damages

Article 383

- (1) Following the deletion of the company from the court register, no transactions undertaken by the liquidator may be challenged. However, the company's creditors may seek from the liquidator that they compensate them for any damages they have incurred as a result of such transactions.
- (2) The liquidator shall be liable for the damage resulting from the liquidation up to five times the amount of remuneration they received for their services. Should this not suffice to compensate for the damages, all shareholders shall be jointly and severally liable for damages up to the value of the company's assets paid to them. If a creditor fails to file in due time their claims of which the liquidator did not know and could not have known, this shall not be considered damage.
- (3) The provisions of the foregoing paragraph shall not apply to the liability of liquidators as against the shareholders. In case of such damage, the liquidator shall be liable according to the general rules on the liability for damages.
- (4) The claim relating to liability for damages shall be statute barred as against the liquidator upon the expiry of one year from the company's deletion from the court register.
- (5) If more than one liquidator is liable for damages, they shall be liable jointly and severally.

Continuation of the company's operations

Article 384

- (1) If a company has been dissolved by lapse of time or pursuant to a resolution of the general meeting, the general meeting may resolve that the company continue to operate until the distribution of assets among the shareholders. Such resolution shall require a majority of not less than three quarters of the share capital represented in the general meeting

at the passing of the resolution. The articles of association may provide for a larger capital majority as well as for additional requirements.

(2) The same shall apply if the company has been dissolved by the institution of bankruptcy proceedings, provided that such bankruptcy proceedings have been terminated upon motion by the company or after the order confirming the bankruptcy plan has become final or when the court of registration has decided that the company be struck off the court register but the reason for such deletion is resolved before the resolution for continuation of the company's operations is adopted.

(3) The liquidators shall submit an application for registration of the continuation of the company's operations in the court register. They shall furnish proof in connection with such application that the distribution of the assets of the company among the shareholders has not yet commenced.

(4) The resolution on continuation of operations shall only become effective upon registration in the court register.

Chapter 11 NULLITY OF THE COMPANY

Action for declaration of nullity

Article 384a

(1) If the articles of association or the declaration on share acquisition at formation do not contain the company's corporate name, the amount of the share capital, contributions to the company, and the company's objects, or if the provisions regarding the company's objects are null or if the provisions on the minimum admissible amount to be paid for the shares or the provisions on the conditions and the procedure for registration in the court register have not been complied with, each shareholder, each member of the management board or each executive director and each member of the supervisory board or the board of directors may bring an action for declaration of nullity of the company. Such action shall not be based on any other grounds.

(2) If the defect can be remedied pursuant to Article 384b of this Act, a lawsuit may be filed only after a party authorised to file a lawsuit has requested that the company remedy such defect and the company has failed to comply with such request within three months.

(3) Such action shall be brought with the court referred to in Article 40 of this Act within three years after registration of the company.

(4) The provisions of Article 363, paragraphs 2 to 4, Article 363a, and Article 364, paragraph 1, sentence 1 of this Act shall apply accordingly to such action. The management board shall submit a certified copy or photocopy of the action to the court of registration immediately upon its having been brought and the court that delivered the judgment shall submit it to the court of registration within 15 days from the date the decision became final. The court of registration shall register in the court register that a dispute is ongoing, and after it is submitted a judgment of the company's nullity that is final, it shall register the company's nullity. If the claim is dismissed, the court of registration shall cancel the registration of dispute.

Remedying defects in the articles of association

Article 384b

Any defect in the articles of association which relates to the company's objects may be remedied by amending the articles of association.

Effectiveness of registration of nullity in the court register

Article 384c

(1) After registration of the company's nullity in the court register, liquidation shall be carried out.

(2) The validity of transactions entered into in the name of the company shall not be affected by the nullity.

(3) The shareholders who have not paid the share price in full shall do so to the extent necessary to fulfil the liabilities incurred.

TITLE V PRIVATE LIMITED COMPANY

Chapter 1 FORMATION

Definition of a private limited company

Article 385 (OG 130/23)

(1) A private limited company is a company into which one or more legal or natural persons contribute business shares to the share capital as set in advance. Business shares need not be of the same amount. In the process of company formation, a founder may acquire more than one business share. The sum of all business shares shall correspond to the amount of the company's share capital. Business shares shall not take the form of securities.

(2) Members of the company shall not be liable for the obligations of the company.

(3) If the business share is not paid up by the person obligated to do so and if the company is not able to compensate for this by selling the business share, other company members shall make a payment in money to the company in the amount of the shortfall and in proportion to their business shares in the company.

Founders

Article 386 (OG 18/23)

(1) The company may be formed by one or more persons.

(2) The provisions of Article 68, paragraphs 3, 4 and 6, of this Act shall apply accordingly to the membership in a private limited company.

Manner of company formation

Article 387 (OG 40/19, 34/22)

(1) The company shall be formed on the basis of an agreement concluded between the founders (memorandum of association). All founders shall sign the memorandum of association which shall be made in the form of a notarial deed or a private document certified by a notary public. The notarial deed or a private document certified by a notary public may be drawn up by means of electronic communication and in electronic form.

(2) If the company is formed by one founder, the memorandum of association shall be replaced by the founder's deed of formation of a private limited company made in the form of a notarial deed. This deed may also be drawn up in electronic form or by means of electronic communication.

(3) If the company takes the form of a simplified private limited company, the memorandum of association or the deed of formation shall be concluded using a protocol template drafted by the notary public and annexed to this Act as Annex 1 and Annex 2. The protocol template is not drawn up as a notarial act or a private document certified by the notary public.

(4) If the company is formed remotely via the website of the court register system, without the intervention of a notary public, the memorandum of association or the deed of formation shall be concluded using the templates in Annexes 3 to 6 of this Act.

(5) The proxy holders of the founders shall have their powers of attorney authenticated by a notary public. The power of attorney shall not be required if the representative of the founder is authorised by law to sign the memorandum of association and make the deed required for the formation of the company in the name of the founder.

(6) Successive company formation shall not be allowed.

Contents of the memorandum of association or the deed of formation

Article 388 (OG 40/19, 130/23)

(1) The memorandum of association or the deed of formation shall contain the following:

1. name and surname or corporate name, domicile or the seat of the founder; if the founder is a natural person, their personal identification number, and if the founder is a legal person, both the personal identification number and the registration number of the entity, or corresponding data if the person in question is a foreigner or a foreign entity;
2. the company's corporate name and seat;
3. the aggregate amount of the share capital and the amount of the paid for business share of each founder, and if the business share is paid for by way of contributions of things or rights, a detailed description of such thing or right and an indication of its value, and the number and par value of the business shares acquired by each founder against payment;
4. the provision on whether the company is being formed for a definite or an indefinite period of time;
5. the rights and duties of members vis-à-vis the company in addition to paying up their business shares and the rights and duties of the company vis-à-vis its members.

Share capital

Article 389 (OG 114/22)

- (1) The share capital of the company and the par value of business shares shall be expressed in euro.
- (2) Unless otherwise provided in this Act, the minimum amount of the share capital of the company shall be EUR 2,500.00.

Paying for acquired business shares

Article 390 (OG 40/19, 34/22, 130/23)

- (1) Unless otherwise provided in this Act, the par value of a business share shall not be less than EUR 10.00. The par value of a business share shall be expressed as a whole number divisible by ten. The sum of par values of all business shares shall correspond to the amount of the share capital of the company.
- (2) Prior to the company's registration in the court register, each founder shall pay for at least one-quarter of the acquired business share payable in money; in any case, the total amount of all payments in money shall equal at least one-quarter of the share capital, unless otherwise provided by law.
- (3) Business shares may be paid for in the form of things and rights. Paying for business shares in the form of things and rights shall be fully effected before the company's registration in the court register. If at the time of application for registration in the court register the value of a thing or right is less than the amount thus paid, the difference shall be covered in money.
- (4) The provisions of Article 176, Article 179, paragraph 5, second sentence, Articles 181 to 185a, Article 187, paragraph 2, items 2 and 3, and Articles 191 to 193 of this Act shall apply accordingly to contributions comprised of things and rights.
- (5) The business share shall be paid for so that the money and things and rights are at the free disposal of the company.
- (6) Business shares shall be paid for using the means of payment prescribed by law in the Republic of Croatia, into the company's account with a credit institution in the Republic of Croatia or shall be deposited on a special account of a notary public opened with a credit institution in the Republic of Croatia. If a company's account with a credit institution is used, the institution shall issue a certificate stating that the amount paid into the account shall be at the free disposal of the company once the latter has been registered in the court register. Accordingly, this certificate shall be issued by the notary public in case the notary public's account is used.

Simplified private limited company

Article 390a (OG 40/19, 114/22, 130/23)

- (1) A company that has no more than five members and one member of the management board may be formed in a simplified manner (simplified private limited company). For the purpose of such company formation, the templates of the protocol drafted by a notary public and annexed to this Act shall be used. Except in respect thereof, no departure from the provisions of this Act may be agreed upon. The filled-in template of the protocol shall represent the list of the members of the company, the list of persons authorised to manage the company's operations and shall contain a statement whereby a member of the management board accepts their appointment. In all other respects, the provisions of this Act relating to the memorandum of association or the deed of formation shall apply accordingly to such protocol.

- (2) The corporate name of the company referred to in paragraph 1 of this Article shall contain the words, i.e. designation referred to in Article 13, paragraph 2, item 4 of this Act.
- (3) The minimum amount of the company's share capital is EUR 1.00, and the minimum par value of a business share is EUR 1.00. The company's share capital and business shares shall be rounded to full amounts in euro.
- (4) The acquired business shares shall only be paid in money. The application for the company's registration in the court register shall be submitted once all of the business shares of the company have been fully paid for.
- (5) The company shall have statutory reserves into which it shall transfer a quarter of its profits as stated in the annual financial statements, reduced by the amount of loss carried forward from the previous year. The statutory reserves may be used for the following purposes:
1. to increase the share capital through conversion of reserves into the share capital;
 2. to cover a loss recorded in the annual financial statements for the year for which such statements have been prepared to the extent that such loss is not covered by profits carried forward from the previous year; and
 3. to cover a loss carried forward from the previous year to the extent that such loss is not covered by profits recorded in the annual financial statements for the year for which such statements have been prepared.
- (6) If the company is at risk of insolvency, the meeting of the company shall be immediately convened.
- (7) If the company increases its share capital in such a way that it amounts to or exceeds the minimum share capital referred to in Article 389, paragraph 2, of this Act, the provisions of paragraphs 3 to 6 of this Article shall no longer apply to the company. However, the company may hold on to the corporate name referred to in paragraph 2 of this Article. In any such case the provisions of Article 390, paragraph 1, of this Act shall apply to the company's share capital and the shares.

Additional obligations

Article 391 (OG 130/23)

- (1) The memorandum of association may provide that the members of a company, in addition to paying for their contributions, are to pay for additional capital contributions or give other consideration of a pecuniary value. This shall not result in an increase of the company's share capital.
- (2) The memorandum of association may also provide that the company members can resolve to call up further payments to the company. Unless the memorandum of association explicitly provides that such resolution is to be taken by a majority of not less than three quarters of the votes cast, the members of the company may adopt such resolution only unanimously.
- (3) If a member, when called to do so, fails to discharge their liability for further capital contributions, which liability is limited to a specified sum or, if not thus limited, does not exceed the amount designated in the memorandum of association, the provisions of this Act relating to late payment of business shares shall apply, except where the memorandum of association provides otherwise. The predecessor of a company member shall be liable only up to the amount of the liability at the time of submitting an application for registration of their departure from the company in the book of business shares.
- (4) If the liability for additional capital contributions is not limited to a specified sum, a member of the company whose business share is fully paid for may be relieved of their liability to pay up additional capital contributions in proportion to their business share by placing their business share at the company's disposal within one month of the call for payment. The company may declare by registered letter to the company member that it regards the business share as placed at its disposal where the company member within the given term neither makes use of the right described above nor effects payment. The company shall have the business share sold by public auction within one month of the declaration by the company member or the company. Other methods of sale shall only be permitted with the consent of the company member. A surplus remaining after deducting the costs of the sale and the outstanding call on the additional capital contribution shall be payable to the company member. If the company's claims cannot be satisfied by the sale of the business share, the business share shall fall to the company. The company may dispose of the business share for its own account. The memorandum of association can restrict the foregoing provisions relating to the manner of discharging the liability of a company member to the case where the calls for additional capital contributions exceed a specified sum.

(5) Paid-in additional capital contributions may be paid back to company members unless required to cover the company's losses. The repayment of paid-in additional capital contributions shall only be permissible if effected in respect of all company members in proportion to their business shares and shall not be made until after three months have elapsed from the date the company published its repayment resolution. If the memorandum of association stipulates that it is permissible to call up additional capital contributions before all calls have been made on the original contributions, the repayment of additional capital contributions shall not be permitted until the share capital is fully paid for. If additional capital contributions are repaid irrespective of such prohibition, the recipients of such contributions, members of the management board and the remaining company members shall be liable to the company pursuant to the provisions of Articles 407 and 430 of this Act.

(6) If, in addition to the payment of business shares, one or more members of the company undertake to give consideration that does not consist of money payments but which is of a pecuniary value, the memorandum of association shall stipulate the extent of and the conditions for the giving of such consideration, the criteria for fixing the amount of compensation that the company is to pay therefor, and the contractual penalty for failing to discharge or for not discharging in an orderly manner the liabilities taken on. Payment by the company shall not exceed the value of the consideration to be given.

Special advantages

Article 392 (OG 130/23)

If a company member is compensated for the things or rights they have transferred to the company and such compensation is added to their share payment, or if special advantages in the company are given to a company member, the memorandum of association shall accurately and fully stipulate the full name of the company member transferring a thing or right, a description of the thing or right thus transferred, including its value expressed in monetary terms, and special advantages such company member acquires therefrom.

Formation costs

Article 393 (OG 130/23)

(1) Reimbursement to the founders of costs the founders have incurred in connection with preparatory activities or the formation of the company shall not be effected from the share capital. It shall, in particular, be prohibited to add the amount of such costs to the share capital as part of the share payment.

(2) Reimbursement of costs of the company's formation shall be approved only up to the maximum amount of reimbursement set in the memorandum of association. Unless otherwise agreed upon, the founders shall meet the costs of the company's formation in proportion to their shares.

Application for registration in the court register

Article 394 (OG 40/19, 130/23)

(1) The application for registration in the court register shall be submitted after the memorandum of association has been signed, shares have been paid for in accordance with the law and the memorandum of association, and one or more members of the company's management board have been appointed and, if the company has to have a supervisory board, after such board has been elected.

(2) If the company is formed by a sole founder, they shall, prior to submitting the application, provide appropriate security for the orderly payment of the as yet unpaid portion of the business share in money.

(3) Before submitting the application for the company's entry in the court register, contributions of things and rights shall be made in such a manner that they are at the free disposition of the company after it is entered in the court register. If the court has doubts as to the accuracy of the submitted proof of the contributions of assets and rights made and of their being at the disposition of the company, it may request that additional proof be submitted. If at the time of the application for registration in the court register the value of a payment consisting of assets and rights is less than the amount of the acquired share, the founder who thus did not fully effect the share payment shall make a monetary contribution in the amount of the shortfall before the company is entered in the court register.

(4) The application for the company's registration in the court register shall include the following:

1. the corporate name, seat and address of the company in the Republic of Croatia and the activities referred to in Article 34, paragraph 3, of this Act, if they form the company's objects;
2. the amount of the company's share capital;
3. where necessary, the details and statements referred to in Article 187a, paragraphs 1 and 2, of this Act;
4. statement by the members of the management board to the effect that they have been acquainted with their obligation of reporting to the court and that there are no circumstances contrary to the provision of Article 239, paragraph 2, of this Act;
5. full names of the members of the management board and, if the company has a supervisory board, of the chairperson and members of the supervisory board, their domiciles and personal identification numbers;
6. full names or corporate names of company members; if company members are natural persons, their personal identification numbers, and if they are legal persons, their registration numbers, or the corresponding data if they are foreign persons.

(5) The following shall be attached to the application referred to in the previous paragraph of this Article:

1. a copy of the memorandum of association or the deed of formation, accompanied by all annexes, including the powers of attorney of the proxy holders certified by a notary public;
2. a list of founding members containing their full names, personal identification numbers, domiciles, or the corporate name and seat with an indication of the court of registration and the number under which they are registered in the court register, amount of the share capital of the company and the ordinal numbers and par values of the founders' acquired shares and the amounts of the payments effected;
3. a certificate issued by a credit institution or notary public confirming that the shares have been paid up in money;
4. the security referred to in paragraph 2 of this Article if the company is formed by a sole founder who has not paid for their share in full prior to the company's registration in the court register;
5. if during the company's formation special advantages are conferred or assets and rights are contributed, the report on the company's formation and on the formation audit, or the documents and the valuation report referred to in Article 187a, paragraph 3, of this Act;
6. a list of persons authorised to manage the company, their full names, personal identification numbers, domiciles, scope of authority and statements, given before the notary public, that they accept their appointments;
7. if the company has a supervisory board, a list of members and chairperson of the said board, showing their dates of birth and domiciles;
8. the authorisation of a national authority if the registration of the company and the activities referred to in Article 34, paragraph 3, of this Act in the court register is also required by law for the purpose of the company's formation.

(6) The application shall include proof that the consideration referred to in Article 391 of this Act has been given if under the memorandum of association such consideration is to be given prior to the company's registration in the court register and that the object of such consideration is at the free disposition of the company.

(7) The resolution establishing the company's objects and the list of activities that form the company's objects shall be submitted to the court of registration together with the application for the registration in the court register.

(8) The application for registration shall not be accompanied by the declaration of the founder that they have not been convicted by a final judgment of the criminal offence of terrorist financing or money laundering or that the legal consequences of the conviction are no longer in effect, and that they were not subject to international restrictive measures regarding the disposal of things or that such measures have been terminated.

Examination of the application

Article 395 (OG 130/23)

(1) The court shall examine whether the company has been duly formed, whether the application includes all the elements as required by law and whether all the documents required by law have been attached.

(2) The court shall refuse the company's registration in the court register if the formation auditors state or if it is manifest that the formation report or the formation audit report submitted by members of the management board, i.e. the data, documents and the valuation report referred to in Article 187a of this Act, are inaccurate or incomplete or do not comply with statutory provisions. The foregoing shall also apply if the formation auditors state, or if the court is of the opinion, that the value of the asset or right contributed is materially less than the value of the payment.

(3) The provisions of Article 188, paragraphs 3 and 4, of this Act shall apply accordingly.

Registration in the court register. Publication of registration

Article 396

(1) The following shall be entered in the court register:

1. the corporate name, seat and address of the company in the Republic of Croatia and the objects of the company;
2. the amount of the share capital;
3. the date of conclusion of the memorandum of association;
4. if the memorandum of association or the deed of formation contains a provision as to the duration of the company, the duration of the company;
5. full names of the members of the management board and, if the company has a supervisory board, of the chairperson and members of the supervisory board, their domiciles and personal identification numbers;
6. the authority to represent the company;
7. if a person, who is an authorised recipient of declarations of intent and letters, is registered in the court register with an address in the Republic of Croatia, such information shall also be stated; such authorisation to receive shall be deemed to exist for third parties until it is struck off the court register and the registration of the deletion has been published, unless the third party was aware that this person was no longer authorised therefor;
8. full names, domiciles and personal identification numbers, or the corporate names and seats of the sole founder and company members.

(2) In addition to the data referred to in the previous paragraph of this Article, the public notice of the registration shall include, if the memorandum of association or the deed of formation contains provisions concerning the form of publication applicable to company notices, data of these provisions.

Liability of company members and members of the management board

Article 397 (OG 130/23)

(1) If false statements are made to enable the company to be formed, the company members and members of the management board shall be jointly and severally liable to pay into the company any outstanding amounts, to reimburse to the company any compensation not included in the schedule of formation costs and to indemnify the company for damages otherwise sustained.

(2) If in the matter of share payments or formation costs company members deliberately or with gross negligence inflict damage on the company, all company members shall be jointly and severally liable to indemnify the company.

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(3) A company member or a member of the management board shall be exempted from the liabilities referred to in paragraphs 1 and 2 of this Article if they neither knew of the facts on which liability is based nor should have known them using due care of a prudent businessman.

(4) In addition to the company members such persons for whose account the company members have acquired shares shall be equally liable. They shall not be permitted to plead ignorance of circumstances known to a company member acting on their behalf or which should have been known to them had he applied due care of a prudent businessman.

(5) A waiver by the company of the claims for damages pursuant to the previous paragraphs of this Article or a settlement by the company pertaining to these claims is void insofar as compensation is necessary to fulfil the claims of the company's creditors. This shall not apply if the person liable to pay compensation is insolvent or enters into a settlement with their creditors in order to avoid bankruptcy proceedings or their liability for damages is regulated by a bankruptcy plan.

(6) The company's claims for damages pursuant to paragraphs 1 to 4 of this Article shall become statute barred after five years. The statute of limitations shall begin with the registration of the company in the court register, or if the act bringing about the liability to pay damages was committed later, with the committing of such act.

Chapter 1a REMOTE FORMATION OF THE COMPANY WITHOUT THE INTERVENTION OF A NOTARY PUBLIC

Formation

Article 397a (OG 40/19, 34/22)

(1) A private limited company may be formed remotely via the website of the court register system using the authentication system that guarantees significant or high security with respect to the identity of the person accessing the court register system and by using the templates annexed to this Act. A simplified private limited company may also be formed in this way.

(2) When the founder or another person is requested to confirm the acceptance of the application, template, statement or data, the term "confirm" means an action which, via the court register system, in accordance with the prescribed security level for this type of certificate, approves and/or gives consent to undertaking a specific action in the procedure, assuming of a right and obligation or confirms the accuracy of data.

(3) Whoever accesses or undertakes an action in the system referred to in paragraph 1 of this Article without authorisation, shall be punished for the criminal offence of computer-related forgery and the criminal offence of fraud in accordance with the Criminal Code.

(4) The minister competent for judicial matters shall prescribe by way of an ordinance the authentication system that shall be used to access the court register system, and the security level for accessing the court register system and for undertaking actions in the remote formation procedure.

Templates and documents

Article 397b (OG 40/19, 34/22)

(1) In the procedure of remote formation, one of the templates of the memorandum of association or the deed of formation in electronic form, which form Annexes 3 – 6 to this Act, shall be used.

(2) In the remote formation procedure, documents or their photocopies in electronic form shall be attached, when prescribed by law.

(3) Giving incomplete or false information or documents in the remote formation procedure shall be punishable in the same way as giving false testimony in court proceedings in accordance with the Criminal Code.

(4) The ministry competent for judicial matters shall ensure that the templates are translated into English in accordance with the rules on information availability laid down in the act governing the setting up, organisation and keeping of the court register and the procedure relating to the register. The company may not be formed using the translated version of the templates.

Memorandum of association

Article 397c (OG 40/19)

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- (1) A company shall be formed remotely on the basis of a memorandum of association concluded by several founders by accepting the filled-in templates of the memorandum of association.
- (2) If the company is formed by a single founder, the company shall be formed on the basis of the founder's deed of formation of the company given by the founder by accepting the filled-in templates of the deed of formation of the company.
- (3) The memorandum of association shall be deemed to be concluded when the court register system records that all founders confirmed its acceptance, and the day of its conclusion shall be the day when the last confirmation of acceptance was recorded.
- (4) It shall be deemed that the founder who confirmed the filled-in templates of the memorandum of association agrees to its content, that the deed of formation was drafted in accordance with their true will and that they understand the meaning and the consequences of its acceptance.

Information on the founders, corporate name and seat

Article 397d (OG 40/19)

- (1) Founders of a company may only be persons having a valid credential on the basis of which the court register system can be accessed, if they confirm that the data by which they logged into the system are accurate and complete, and that they have not been changed subsequently.
- (2) The corporate name in the template of the memorandum of association shall be entered by one of the founders, and accepted by the other founders. The indication of the company's objects shall not consist of more than twenty words.
- (3) The company's seat in the template of the memorandum of association shall be indicated by the code and name of the town in the Republic of Croatia established by the competent body for that purpose, and in the memorandum of association by the name of the town in the Republic of Croatia.
- (4) The management board of the company shall determine the business address at the seat of the company by a separate resolution.
- (5) The resolution determining the first business address at the seat of the company shall be confirmed by all founders and members of the management board and shall be attached to the application for the registration of the formation of the company.

Share capital, share payment and application for registration of the formation

Article 397e (OG 40/19, 34/22, 130/23)

- (1) The acquired business share shall be paid for in money.
- (2) For the purpose of forming the company, the business shares shall be paid for to a temporary subaccount of the state budget.
- (3) The application for the registration of remote formation of a company shall contain the request for the registration and the data referred to in Article 394, paragraph 4, items 1, 2, 5 and 6, of this Act.
- (4) The following shall be attached to the application referred to in paragraph 3 of this Article:
 - a copy of the memorandum of association or the deed of formation of the company, including all annexes,
 - a list of the founding members containing their full names, personal identification numbers, domiciles, or the corporate name and seat with the indication of the court of registration and the number under which they are registered in the court register, amount of the share capital of the company and the ordinal numbers and par values of the founders' acquired business shares,
 - a decision on appointment and the list of persons authorised to manage the company's operations, their full names, domiciles, personal identification numbers, the extent of their authorisations,
 - statements of the members of the management board to the effect that they have been acquainted with the obligation of reporting to the court and that there are no circumstances prescribed by law precluding their appointment to the management board,
 - a resolution on the choice of the company's business address,
 - a resolution on establishing the company's objects.
- (5) The data referred to in paragraph 3 and annexes referred to in paragraph 4 of this Article shall be downloaded from the system, or generated in the court register system.

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(6) The application for the registration of the company's formation shall be confirmed by all members of the management board.

(7) The application for the registration of the company's formation shall be considered confirmed when the court register system records that the persons referred to in paragraph 3 of this Article confirmed the application for the registration of the company's formation, and the day of the confirmation shall be the day when the last confirmation of acceptance was recorded.

(8) If the court of registration suspects that the members of the company or of the company bodies falsified or otherwise misused their identities, that they do not have legal capacity or are not authorised to represent the company, that the formation of the company violates anti-money laundering rules or that other infringements have occurred in the formation of the company, it shall refer the applicant to submit the application via a notary public within 15 days. If the applicant fails to do so, the application shall be deemed withdrawn.

Chapter 1b REMOTE FORMATION OF THE COMPANY WITH THE INTERVENTION OF A NOTARY PUBLIC

Article 397f (OG 34/22, 130/23)

(1) A private limited company and a simplified private limited company may also be formed remotely with the intervention of a notary public.

(2) Business shares shall only be paid for in money, to a temporary subaccount of the state budget or they may be deposited on a special account of a notary public opened with a credit institution in the Republic of Croatia. Payments may be made, and the proof of payments may be submitted, remotely, by electronic means.

(3) The memorandum of association and the deed of formation of the company shall be made in the form of a notarial deed or a private document certified by a notary public electronically, in accordance with the regulations on the organisation, authorisations and work arrangements of the notarial profession as a public service. The memorandum of association of a simplified private limited company shall be concluded by filling out the templates contained in Annexes 1 and 2 to this Act in electronic form.

(4) Other documents required in the process of the company's formation which are to be certified by a notary public shall also be prepared in electronic form, in accordance with the regulations on the organisation, authorisations and work arrangements of the notarial profession as a public service. Documents for which no involvement of a public notary is required shall be prepared according to the rules on the particular type of electronic document. In absence of any special rules, the document shall be signed by the persons who prepared it with their qualified electronic signature.

(5) During the formation of the company, the notary public shall communicate with the company members, their representatives and members of the company bodies by means of electronic communication (video links, etc.). Among other things, the notary public shall inform them whether the memorandum of association, the company's objects and corporate name and the appointment of members to the company bodies are in compliance with the law, warn them of the consequences of an intended legal act and establish their true will.

(6) The identity of the company members, their representatives and members of the company bodies shall be verified by electronic identification means and high-security authentication.

(7) The notary public may also remotely perform additional identity verifications, as well as other necessary verifications, such as those regarding legal capacity and authority to represent. For this purpose, the notary public may use documents signed with qualified electronic signature.

(8) If the notary public suspects that the members of the company, their representatives and members of the company bodies falsified or otherwise misused their identities, that they do not have legal capacity or are not authorised to represent the company, they may request that they be physically present.

(9) Unless otherwise provided in this Article, the formation shall be subject to general rules on forming a private limited company and a simplified private limited company, taking into account the specificities of electronic communication.

Chapter 2 LEGAL RELATIONSHIPS BETWEEN THE COMPANY AND ITS MEMBERS

Section 1 Paying up business shares

Obligation to pay up business shares

Article 398 (OG 130/23)

- (1) Each business share shall be paid up to the company. The paid-in amount shall be set according to the par value of the business share as stipulated in the memorandum of association at the time of the company's formation. In the case of a share capital increase, the paid-in amount shall be set according to the par value of the business share as stipulated in the statement relating to its acquisition.
- (2) Unless otherwise stipulated in the memorandum of association or the resolutions of the company's bodies, all members shall pay in their contributions in money in proportion to the business shares they acquired.
- (3) The company shall not postpone, facilitate or relieve the obligation of particular members to pay up their business shares. Neither shall it offset its own claims for the payment of the business share with claims against the company. Things or rights comprising a business share payment shall not be held back in respect of claims which do not directly relate to these things or rights. The same shall apply to payments in money.
- (4) If a company member's business share payment is to be considered a contribution of an asset or right in full or in part (disguised contribution of an asset or right) from an economic point of view or due to an arrangement made in connection with the assumption of the liability to contribute, this shall not release the company member from their obligation to pay up the business share. Any agreement regarding the contribution of a thing or right and any transaction in execution thereof shall not be without effect. The value of the thing or right at the moment of the application of the company for registration in the court register or at the moment of the surrender of the thing or right to the company, if this is done at a later point in time, shall be offset against the company member's obligation to pay up the business share. The set-off shall not be effected prior to the company's registration in the court register. The burden of proof for the value of the asset or right lies with the company member.
- (5) If before the payment of the business share a payment to the member was agreed which, from an economic point of view, corresponds to a repayment and which is not to be considered a disguised contribution of an asset or right within the meaning of paragraph 4 of this Article, this only releases the member from their obligation to pay up the business share if the payment is covered by entitlement to full restitution which may fall due at any time or may become due by cancellation without notice by the company. Such payment or the agreement on such payment shall be stated in the application for the company's registration in the court register.
- (6) In the case of a capital reduction company members can only be released from their obligation to pay up the business share up to the amount by which the capital is reduced.
- (7) If within three years after registration of the company in the court register all business shares are held by one company member or additionally by the company itself, the company member shall within three months of holding all such business shares pay up in full any business shares in money or shall provide security to the company for the payment of these amounts or shall transfer some of the business shares to a third party. The management board shall submit to the court of registration an application for registration in the court register of the holding of such business shares.
- (8) The company member referred to in the previous paragraph of this Article shall immediately upon the expiry of the period stated therein inform the court of registration of the course of action they followed and shall provide proof thereof. If they fail to do so, the court of registration shall call on them to do so within the time limit set by the court. If the company member fails to fulfil their obligation within the time limit thus set and does not lodge a founded appeal against the order calling on them to fulfil the said obligation, the court of registration shall decide that the company is to be dissolved.

Default interest

Article 399 (OG 130/23)

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A company member who does not pay up the business share punctually is obliged to pay statutory default interest to the company unless the memorandum of association or the decision of the company's body taken before the obligation to pay the contribution was undertaken stipulates a higher interest rate.

Expulsion of defaulting company members

Article 400 (OG 130/23)

(1) A company member who is in default with respect to payment of their business share to the company may be sent a further payment reminder requiring them to pay within a set period of grace and warning them that unless they pay up the business share, they will be expelled from the company. The request shall be effected by registered letter. The period of grace shall run for at least one month. If the reminder is sent to more than one member, the period of grace shall be of equal duration for everyone. The company may bring an action against the company member seeking payment of the business share. Such action shall not preclude the possibility of the company member being expelled from the company. It shall not be permitted to exclude therefrom particular company members who are in default with respect to payment of their business shares.

(2) If the set term elapses without payment, the management board shall declare the business share of the defaulting company member and any partial payments made forfeited in favour of the company. The declaration shall be effected by registered letter.

(3) The expelled member shall lose all their rights in the company but shall remain liable for the payment of any outstanding amount of the business share. They shall be held liable for such payment before the other company members. This shall not exclude their liability to the company for damages.

Liability of predecessors in title

Article 401 (OG 130/23)

(1) The last and each foregoing predecessor in title of the expelled company member registered with the company as holders of business shares shall be liable to the company for paying up the business share not paid for by the expelled member.

(2) Payment may be claimed from an earlier predecessor if the obligation is not performed by their successor. Such shall be assumed where the successor has failed to effect payment within one month after being so requested by registered letter and the predecessor in title has been notified in the same manner of this request.

(3) The liability of the predecessor is restricted to the obligation to pay up the business share within the period of five years. The term begins on the day the transfer of the business share to the successor in title is duly registered with the company.

(4) Unless the business share has already been sold pursuant to the provisions of Article 402 of this Act, the predecessor in title shall acquire the business share of their successor against payment of the outstanding amount of the business share price.

Sale of the business share

Article 402 (OG 130/23)

(1) Unless a company member takes over a business share with the consent of the expelled member at a price corresponding to the business share's actual value, the company may have the business share sold by public auction if payment of the outstanding amount of the business share price cannot be obtained from the predecessor in title of the member who has not paid the business share price in full or if such member has no predecessor in title. Other methods of sale shall only be permitted with the approval of the expelled company member.

(2) Within one month the company may sell the business share of the expelled company member also by private sale for an amount that is not lower than the value of the business share as stated in the statement of the company's financial position. Upon expiry of the one-month period, the company may sell the business share only by public auction.

(3) The public auction shall be conducted either by persons authorised to conduct public auctions or by the court.

(4) If the price realised by the sale is higher than the amount the expelled company member owes to the company, the surplus shall, upon deduction of the costs of sale, interest and any penalties, be used to pay up the business share. Any surplus shall be paid to the expelled company member.

Liability of company members

Article 403 (OG 130/23)

(1) If the outstanding amount for the business share can neither be collected from the predecessors in title of the expelled member nor be raised through the sale of the expelled member's business share, the outstanding amount shall be paid by the other company members in proportion to their business shares.

(2) If the business share is not sold, the members who discharged the liability referred to in the previous paragraph of this Article shall be entitled to participate in the distribution of the company's profits and in the remainder of the liquidation estate or bankruptcy estate that would fall to the said business share in proportion to the amounts they paid in by way of outstanding business share payments relating to the business share in question. If the said business share is subsequently sold, the company members shall be reimbursed from the sale proceeds the amounts they paid to the company pursuant to the provisions of paragraph 1 of this Article. The remainder of proceeds shall be used for settling whatever amount is still owed to the company with respect to the payment for the business share of the expelled member and the remainder to the said member.

Liability in bankruptcy

Article 404

(1) Members of a bankrupt company shall be jointly and severally liable for the payment of the outstanding portion of the share capital if such payments are necessary to provide satisfaction to creditors. The liability of company members is not conditional on taking prior action pursuant to the provisions of Articles 402 and 403 of this Act. Predecessors in title of company members shall also be liable for the payment of the outstanding portion of the share capital under the conditions referred to in Article 401 of this Act.

(2) The persons referred to in paragraph 1 of this Article shall be entitled to mutual recourse if any of them pays more than they are liable to pay on the basis of their portion of the acquired business shares.

Mandatory provisions

Article 405

The company members shall not be exempted from the legal consequences ensuing from the application of Articles 400 to 403 and Article 404, paragraph 1, of this Act.

Recovery of business share payments. Distribution of profits

Article 406 (OG 130/23)

(1) Amounts paid in for the business shares shall not be repaid to company members. Interest on paid amounts shall not be paid to company members nor may it be contractually agreed. For the duration of the company, company members are entitled to seek distribution of annual profits and retained earnings brought forward reduced by accumulated losses brought forward to the extent that this is not prohibited by law, the memorandum of association or the company members' resolution on the distribution of profits. In the resolution on the distribution of profits the company members may transfer profit in full or in part to company reserves or carry it forward unless the memorandum of association provides otherwise.

(2) Unless otherwise provided for in the memorandum of association, profits referred to in paragraph 1 shall be divided among members in proportion to the payments they made for the business shares.

(3) In the case of occasional considerations referred to in Article 391, paragraph 6, of this Act, which the company members are obliged under the memorandum of association to give in addition to paying for the business shares, the company may also pay compensation set according to the criteria specified in the memorandum of association. Such compensation may not, however, exceed the value of such consideration irrespective of whether the profit and loss statement of the company shows net profit.

(4) If in the period from the end of the financial year to the resolution of the company members on the annual financial statements the management board or the supervisory board becomes aware that due to losses or a decrease in the value of the share capital the company's assets have been materially and not just temporarily reduced, the profit shown in the profit and loss statement shall be excluded from distribution in the amount of the asset reduction and shall be transferred to the statement of the current financial year.

Company reserves

Article 406a

(1) The company shall transfer to capital reserves:

1. a portion of the paid amounts against which business shares have been issued in excess of the par value of the business shares;
2. additional payments by company members made for the purpose of acquiring special rights in the company;
3. other additional payments by company members to the company, such as additional considerations;
4. the amount of share capital reduction by simplified procedure in order to transfer funds to capital reserves.

(2) Only amounts from the net profit of the financial year or from the net profit of the previous financial years, which include reserves for own business shares, reserves provided by the memorandum of association and other reserves, shall be transferred to profit reserves.

(3) The provisions of Article 222, paragraphs 3 and 4, of this Act, with the exception of the provisions relating to statutory reserves and the prescribed level of statutory reserves and capital reserves, shall apply accordingly to the use of capital reserve funds.

(4) Reserves for own business shares shall include the amount which corresponds to the amount shown for these business shares in the financial statements. These reserves may be abolished only if the company disposes of or withdraws its own business shares or reduces such reserves by the amount by which they exceed the lower declared values of the business shares in the accounts. Such reserves may also be formed from reserves provided for in the memorandum of association if the memorandum provides for this possibility and from amounts of other profit reserves which exceed the amounts of losses brought forward that could not be covered from current net profit.

(5) Reserves provided for by the memorandum of association shall be used only for the purposes specified in this agreement.

(6) The provisions of Article 222, paragraph 5, of this Act shall apply accordingly to the use of other reserves.

Prohibited earnings

Article 407

(1) Payments made to company members from the company's assets, the value of which corresponds to the amount of the share capital, shall not be permitted. This shall not apply to consideration given to the other party to a contract pursuant to the control agreement or the profit transfer agreement or to consideration in respect of which a company member is liable to the company for a counter consideration of the same value or for repayment of whatever has been given, including claims for the repayment of an equity-substituting loan and of whatever corresponds in economic terms to such a loan.

(2) Company members who have received payments from the company in violation of the provisions of this Act, the memorandum of association or the company's resolutions shall reimburse such payments to the company. A company member may keep what has been paid to them on the basis of the distribution of profits provided they received it in good faith, with the exception of such reimbursements as are required to satisfy the company's creditors.

(3) If prohibited payments cannot be recovered from either the recipient or the members of the management board and if such funds are required for the purpose of satisfying the company's creditors, the remaining company members shall be liable for the amount to be reimbursed in proportion to their business shares.

(4) Contributions which cannot be obtained from individual company members shall be paid by other company members in proportion to their business shares in the company.

(5) The persons referred to in the foregoing provisions of this Article cannot be released, either wholly or in part, from the obligation to make payments required under the foregoing provisions of this Article.

(6) The claims of the company referred to in paragraphs 2 to 4 of this Article shall become statute barred in five years from the date the relevant payment was received, unless the company proves that the liable person knew that the payment was prohibited.

(7) The members of the management board who have acted culpably with respect to the payments effected to company members are jointly and severally liable to the company members for reimbursement of the payments made to the company pursuant to paragraphs 3 and 4 of this Article.

Equity-substituting loan

Article 408

(1) If at a time when the company is in crisis and when prudent businessmen would have increased the company's equity capital a company member instead grants a loan to the company, they may claim repayment of the loan during bankruptcy proceedings only as a lower-ranking creditor in bankruptcy.

(2) If at a time referred to in paragraph 1 of this Article, when company members would have increased the company's equity capital under the conditions stated therein, a third party instead grants a loan to the company, and if a company member has provided security or assumed a guarantee for repayment of the loan, the third party may only lodge a claim in bankruptcy proceedings to the extent that they have not been satisfied after calling the security or guarantee.

(3) The provisions of paragraphs 1 and 2 of this Article shall apply as appropriate to other legal acts of a company member or a third party which in economic terms correspond to the granting of a loan. Rules on the substitution of the company's equity capital shall not apply to a company member who does not manage its business and whose holding corresponds to one tenth or less of the company's share capital. If at a time the company is in crisis a lender to the company acquires business shares in the company with the aim of overcoming the crisis, this shall result in the non-application of the rules on capital substitution to their claims arising from previously given and new loans up to the amount of the share capital paid to the company in accordance with the Act at the time of the share capital increase on the basis of which the business share was acquired.

(4) If in the cases referred to in paragraphs 2 and 3 of this Article the company repaid the loan in the year preceding the submission of the request for the institution of bankruptcy proceedings over the company's things or after the submission of such request, the company member providing the security or liable as guarantor shall reimburse to the company the amount so repaid. The provisions of the Bankruptcy Act shall apply as appropriate. This obligation shall be limited to the amount of the guarantee for repayment of the loan or to the value of the security provided when the loan was repaid. The company member can be released from this obligation by placing the items which served as the creditor's security at the disposal of the company so that the company might satisfy its claims from the value of the items. These provisions shall apply as appropriate to other legal acts which in economic terms correspond to the granting of a loan.

Section 2 Shares

Determination of a share

Article 409

(1) Unless otherwise stipulated in the memorandum of association, the share of each company member shall be determined according to its par value.

(2) A company member may hold more than one share.

(3) It shall be prohibited to issue certificates upon which the right for payments of dividend depends. The certificates issued shall not be valid.

Business shares register

Article 410 (OG 18/23)

(1) The management board shall keep the company's business shares register stating the corporate name or full name, seat and address or domicile of each company member; if a company member is a legal person, the data relating to its registration in the corresponding register, their personal identification number, the par values of the business shares they acquired and the contributions made, any additional consideration which they are required to give to the company and which they have given, any liabilities encumbering their business share and the number of votes they have in the decision-making by the company members. Encumbrances, divisions of business shares and any other changes shall be entered in the register. Any person able to prove their legal interest in this shall be entitled to examine the business shares register during office hours.

(2) Any change in the data contained in the business shares register shall be duly entered in the register upon application by an interested party or on the basis of information acquired by a company body. The application for registration in the business shares register shall be accompanied by the declaration of the person acquiring business shares, certified by a notary public, that they have not been convicted by a final judgment of the criminal offence of terrorist financing or money laundering, or that the legal consequences of the conviction are no longer in effect, and that they are not subject to international restrictive measures regarding the disposal of things or that such measures have been terminated. The declaration may also be given in the business share transfer agreement. The company's management board shall promptly inform the court of registration of any change in the company's membership or the company members' business shares by providing the court with a list of company members signed by the members of the management board. Such list shall contain the company members' full names and domiciles, in the case of legal persons corporate name and seat, personal identification number, par value of the business shares allotted to them, ordinal numbers under which such business shares are registered by the company, contributions made and, where necessary, what the company has reimbursed to company members. The management board shall amend the list of company members on the basis of the notice of change and submitted proof of change.

(3) If a notary public participated in making the change referred to in paragraph 2 of this Article, they shall immediately after the change is made and irrespective of any later reasons for its invalidity sign in place of the company members the list of company members and deliver one copy to the court of registration and the competent office of the Ministry of Finance, Tax Administration, of the company's seat and one copy to the company. The notary public shall certify on such list that the data contained in the list correspond to the changes in the making of which they participated and to the data contained in the previous list submitted to the court of registration. The notary public shall also certify on such list that the person acquiring the business share is not entered in the records referred to in Article 68, paragraph 5, of this Act.

(4) The members of the management board shall be responsible to the company under the provisions of Article 397, paragraphs 1, 5 and 6, and Article 430 of this Act for the accuracy of information entered into the business shares register, the lists filed with the court and the statements made to the court. They shall be jointly and severally liable with their entire assets for any damage incurred by creditors, company members and third parties if such damage is the result of an inaccurate or late entry in the business shares register or of an inaccurate statement made to the court or a failure to make a statement to the court as provided by law.

Effect of entry in the business shares register

Article 411 (OG 18/23)

(1) In relation to the company, only a person who has been registered as such in the business share register and of whose membership in the company the court of registration has been informed shall be deemed a company member. The list of company members which the management board provides to the court of registration shall be modified by providing to such court a new list accompanied by appropriate proof of the changes made. In case of differences between the entries in the business shares register and the list of company members which the company's management

board provides to the court of registration, the founders stated in the memorandum of association or the persons stated in the said list shall be deemed company members and if the company has only one member, the person entered in the court register shall be deemed company member. The contents of the list provided to the court of registration shall be deemed accurate to the benefit of anyone who through a legal transaction acquired a business share or a right to such business share, with the exception of such acquirer of a business share who was aware or due to gross negligence was unaware that the information is inaccurate. A person shall not validly acquire a business share and have confidence in the contents of the list if the information concerning the business share that is being acquired is incorrect and less than three years have elapsed from the date of the delivery to the court of registration of the list containing incorrect information, unless the incorrect information on the list can be ascribed to the person entitled to the business share.

(2) An entry in the business shares register shall be deemed to have been made on the date the company receives the application for registration accompanied by the declaration referred to in Article 410, paragraph 2, of this Act, provided such application complies with the conditions for such registration and irrespective of the time when such entry is actually made.

Disposal of shares

Article 412 (OG 40/19, 18/23)

(1) Shares shall be transferable and inheritable.

(2) If a shareholder acquires further shares, these shares retain their separate identity.

(3) For shareholders to transfer shares an agreement shall be drawn up in notarised form or in the form of a private document certified by a notary public or a court decision substituting such an agreement. Such agreement shall also be required for undertaking the obligation to transfer a share. The lack of the prescribed form of the agreement by which obligation to transfer a share is undertaken shall be removed by concluding an agreement on the transfer of a share in the form of a notarial deed or a private document certified by a notary public. The transfer of shares shall not require a change in the memorandum of association.

(4) The memorandum of association can prescribe additional conditions for the transfer of shares, in particular consent by the company. A share to which an obligation to give additional consideration is attached may be transferred only with the consent of the company.

(5) Consolidation of shares in the hands of one person through the disposition of shares on whatever grounds which results in the creation of a single-member company shall not require any change in the memorandum of association or the deed of formation. If the company was formed on the basis of a deed of formation but thereafter became a multi-member company, the company members shall conclude the memorandum of association.

(6) A company member may pledge their share. The pledge of shares agreement shall be concluded in the form of a notarial deed or a private document certified by a notary public. The notary public who participated in the conclusion of that agreement shall, without delay, instead of the members of the management board, draw up a list of members of the company in which they shall state which share has been pledged and shall send one copy to the court of registration, and one copy to the company. The provisions of Article 415, paragraph 1, of this Act shall not apply to the pledging of shares.

(7) If a share transfer agreement or an agreement on undertaking the obligation to transfer a share or a pledge of shares agreement is concluded by proxy, the proxy holder shall require the relevant power of attorney certified by a notary public.

Share transfer with the consent of the company

Article 413 (OG 130/23)

(1) If the memorandum of association provides that a share may be transferred to another person only with the consent of the company, a company member wishing to transfer a share may, in the absence of such consent with respect to a fully paid for business share, request from the court referred to in Article 40 that they be allowed to transfer such share. The court shall allow them to transfer such business share if there is no justified reason for denying them such permission and if the transfer may be carried out without causing any damage to the company, its members and

creditors. Before taking its decision, the court shall hear both the management board and the company member requesting permission to transfer a business share.

(2) Even if the court grants permission for a business share transfer, the company member shall not transfer the share to a person of their choice if within one month after the court decision has become final the company notifies the member by registered mail that the company permits that the business share be transferred under the same conditions to someone else.

(3) If a business share which may be transferred only with the consent of the company is to be sold as part of judicial enforcement proceedings, the enforcement court shall estimate the value of the relevant share and notify the company and all its creditors of the sale approval and of the estimated share value. Such valuation shall not be required if the pledgee, the pledger and the company have agreed on the price at which the business share is to be taken over. If the buyer designated by the company does not acquire the business share within fourteen days and does not pay its estimated value in money, the share shall be sold in conformity with the rules on enforcement proceedings without the company's consent being required therefor.

Transfer of inherited business share

Article 414

In the case of inheritance of a business share, the memorandum of association may stipulate that the heir shall transfer the share to another company member or a person the company designates, provided the heir and such person have not agreed otherwise, at a price corresponding to the value of the business share as shown in the company's last financial statements.

Legal position of the share acquirer

Article 415

(1) Insofar as relations within the company are concerned, legal acts performed towards the acquirer of a share as well as legal acts performed by the transferor prior to the notification of the share transfer to the company shall be valid vis-à-vis the transferee of the share.

(2) The acquirer of a share and their legal predecessor shall be jointly and severally liable for consideration which on the basis of the share is to be given to the company pursuant to an obligation existing at the time the application for the registration of the share transfer in the business share register was submitted to the company.

(3) Claims for performance made towards the legal predecessor of acquirer shall become statute barred in five years of submitting the application for the registration of the share transfer.

Article 416

Deleted.

Joint rights to a share

Article 417

(1) If more than one person are jointly and undividedly entitled to a share, they can exercise the rights resulting from it only jointly. They are jointly and severally liable for the contributions for the share.

(2) Legal acts which the company has to perform vis-à-vis the holder of the business share are valid if they are performed vis-à-vis only one of the joint beneficiaries, unless a common representative of the joint beneficiaries exists. Such acts shall be effective towards all beneficiaries.

Acquisition and taking as a pledge of own business shares

Article 418 (OG 130/23)

(1) The company shall not acquire or take as a pledge own business shares which are not fully paid for.

(2) The company may acquire its own business shares which are fully paid for only insofar as the purchase can be effected out of assets held in excess of the amount of the share capital and the company is able to set up the reserve for

own shares prescribed by law without reducing the share capital or a reserve which shall be established under the memorandum of association and which shall not be distributed to the company members.

(3) The rights and duties arising from own business shares shall be suspended.

(4) The company may take own business shares as a pledge only insofar as the total amount of claims secured on its own business shares is less than the value of such shares or, if the value of the pledged business shares is lower, to the extent that this amount does not exceed the surplus of assets over the share capital. An infringement of the provisions of paragraphs 2 and 4 of this Article shall not render the acquisition or pledging of own business shares invalid.

(5) The acquisition of own business shares shall also be allowed where necessary for the purpose of giving severance fees to the members of the company due to a change in the company status, where the business share is acquired within six months after such a change has been made or after the court decision becomes final, and the company is able to accumulate the prescribed reserves for own shares in a manner which will not reduce the share capital of the company or the reserves as prescribed by the memorandum of association which the company shall not use for disbursements to its members.

Withdrawal (amortization) of business shares

Article 419

(1) Withdrawal of business shares shall only be effected if allowed for in the memorandum of association.

(2) Without the consent of the holder of a business share a withdrawal shall only be effected if the prerequisites were determined in the memorandum of association before the holder of the business share acquired the business share.

(3) The provision of Article 406, paragraph 1, first sentence, of this Act shall apply as appropriate to the withdrawal of a business share.

Withdrawal or expulsion of a company member

Article 420

(1) The memorandum of association may stipulate that a company member may withdraw from the company and that they may be expelled from it. At this point in time the conditions, procedure and consequences of withdrawal or expulsion of a member from the company shall also be stipulated.

(2) Notwithstanding the provisions of the preceding paragraph of this Article, a company member may bring a court action requesting withdrawal from the company if there is just cause for this. Just cause for withdrawal from the company shall in particular include damage caused to the member by other company members or a company body, them being prevented in the exercise of their rights in the company or disproportionate commitments imposed on them by a company body. The action shall also specify the amount of reimbursement for the business share and an appropriate deadline for its payment to the member withdrawing from the company. If the court sustains the claim, it shall specify the amount of reimbursement corresponding to the market value of the claimant's business share and order that the company pay such reimbursement to them by the deadline specified in the judgment. When deciding on the said deadline, the court shall take into account the condition of the company and the company's business needs.

(3) Notwithstanding the provisions of paragraph 1 of this Article the company may file an action against its member requesting that the court expel them from the company if there is just cause. Just cause for expulsion shall be deemed to exist if by their conduct the company member has prevented or significantly impeded the achievement of the company's goal, as a result of which conduct their membership in the company has become intolerable to the company. An action may also be filed by any other company member. Such action shall also specify the amount of reimbursement and an appropriate deadline for the payment of reimbursement to the expelled company member. The court shall decide on the expulsion of the company member under the suspensive condition that the company pay them the amount of reimbursement specified in the judgment, which amount shall correspond to the market value of the business share, by the deadline specified in the judgment. When deciding on the said deadline, the court shall take into account the condition of the company and the company's business needs.

(4) Just as a company member shall not waive in advance their rights under paragraph 2 of this Article so the company shall not waive in advance its rights under paragraph 3 of this Article.

Effect of withdrawal or expulsion of a company member

Article 421 (OG 130/23)

- (1) Upon withdrawal or expulsion of a company member, the company member's membership in the company and all rights resulting therefrom shall cease.
- (2) A company member withdrawing or expelled from the company shall be entitled to reimbursement of the market value of their business share as at the time of their withdrawal or expulsion. If the member's business share was paid up in things or rights, they shall be entitled to claim back what they have paid to the company but no sooner than three months from their withdrawal or expulsion from the company. They shall not be entitled to claim compensation for accidental destruction, damage or deterioration in the value of contributed items or if accidental destruction, damage or deterioration in the value of contributed items occurred through their ordinary use. If the company seeks compensation for damage caused by a member or if a member is required to discharge some other obligations towards the company, the value of their contribution shall not be reimbursed to them before they compensate such damage or discharges such obligations.
- (3) Membership in the company of a member who has withdrawn or was expelled from the company shall cease when the reimbursement referred to in paragraph 2 of this Article has been paid to them.

Chapter 3 COMPANY BODIES

Section 1 Management board

Management of the company

Article 422

- (1) The company's management board shall be comprised of one or more directors.
- (2) The management board manages the company in accordance with the memorandum of association, decisions of company members and mandatory instructions of the general meeting and the supervisory board, if the company has one.
- (3) The method of operation of the management board shall be stipulated by the memorandum of association. If an issue regarding the method of operation of the management board is not governed by the memorandum of association or this Act, it may be regulated by a special by-law adopted by the management board specifically for that purpose.
- (4) If the management board comprises more than one member and the memorandum of association does not stipulate otherwise, the members shall manage the company's operations jointly, unless there is a risk that an action not be taken in due time.
- (5) If under the memorandum of association each member of the management board is authorised to take individual action relating to management of the company's operations, they shall not be allowed to take an action they intend to take if any of the members of the management board oppose such action, unless otherwise stipulated by the memorandum of association.

Appointment of members of the management board

Article 423 (OG 18/23, 130/23)

- (1) Any natural person with full legal capacity may be a member of the management board. The provisions of Article 239, paragraph 2, of this Act shall apply accordingly to the appointment of members of the management board. If company members deliberately or as a result of gross negligence appoint as a member of the management board a person who cannot be on the management board, they shall be jointly and severally liable to the company for any damage caused to the company as a result of such person having violated their duties towards the company. The provisions of Article 239, paragraph 3, of this Act shall apply accordingly to the termination of membership in the management board.
- (2) Company members shall resolve on the appointment of the members of the management board, unless the memorandum of association stipulates that members of the management board are to be appointed by someone else in

the company. If a member of the management board is appointed from among company members, such appointment may also be made in the memorandum of association and during the time the member of the management board is a member of the company. Unless the resolution on the appointment provides otherwise, the term of office of the chairperson and a member of the management board shall start to run on the date of adoption of the resolution on the appointment, irrespective of the resolution's registration in the court register.

(3) If the memorandum of association stipulates that all company members are to be appointed as members of the management board, this shall apply only to such members who were members of the company at the time when such provision was included in the memorandum of association.

(4) The memorandum of association may also provide for the appointment of the management board by a public body.

(5) If the number of members of the management board falls below the number stipulated in the memorandum of association as the minimum number of members of the management board required for the management and representation of the company and if their replacements have not been elected, the company members shall immediately resolve on the appointment of the lacking members. Until the abovementioned appointment is effected, the remainder of the management board shall carry out only urgent matters. The memorandum of association may stipulate that until the said appointment of the new members is effected, the supervisory board may appoint the lacking members of the management board. If all members of the management board should stop being on the management board or be unable to perform their duties, the supervisory board shall appoint the members of the management board without delay.

(6) If the company has no supervisory board or if it fails to act as provided in the preceding paragraph of this Article, the court shall appoint upon motion by an interested party or ex officio a temporary trustee to replace the management board until the appointment of the required number of members. It shall be their duty to see to the appointment of a new management board. Until then, they shall be authorised to deal only with urgent matters. The provisions of Article 245, paragraph 3, of this Act shall apply accordingly to reimbursement of costs and remuneration for the services of the temporary trustee.

Removal of members of the management board

Article 424 (OG 130/23)

(1) Company members may resolve at any time to remove members of the management board. If the memorandum of association stipulates that members of the management board are appointed by the supervisory board, the supervisory board shall also be authorised, unless otherwise provided in the memorandum of association, to revoke their appointment. This shall be without prejudice to the rights of the members of the management board arising from agreements concluded with the company.

(2) A member of the management board who is also a company member may be removed by a court decision if there is just cause.

(3) A court action may be brought against company members who did not vote for the removal of appointment of a member of the management board requiring them to agree with the removal. The member of the management board in question shall be informed of the civil action via the court. During proceedings the court may issue a provisional measure prohibiting the member of the management board whose removal is the subject matter of the dispute to manage the business of and represent the company if proof is furnished that such member's further activities would cause the company irreparable damage.

(4) If members of the management board are appointed by the memorandum of association, the said agreement may stipulate that they may be removed only when there is just cause. In such a case the removal of appointment shall be valid for as long as its invalidity is not established by a final court decision, particularly with respect to whether there was just cause for the removal. The provisions of Articles 447 and 448 of this Act shall apply accordingly. The provisions of Article 244, paragraph 3, of this Act shall apply accordingly if the supervisory board is revoking its resolution on the appointment of a member of the management board.

(5) The provisions of the previous paragraphs of this Article shall not apply to the management board members appointed by a public body.

Resignation of a member of the management board

Article 424a

- (1) The chairperson and members of the management board may resign without prejudice to the indemnification claims resulting from existing agreements they concluded with the company. Termination of management board membership shall not require a resolution in the company. Unless otherwise provided in the resignation statement, such resignation shall become effective, where there is just cause for it, from the date such statement is given to the company. Otherwise it shall become effective no sooner than 14 days after the said date.
- (2) The resignation referred to in paragraph 1 of this Article shall be given in writing to the company's meeting provided it was previously announced as an item on the meeting's agenda and if under the memorandum of association the supervisory board, provided the company has one, is authorised to appoint members of the management board, to the supervisory board or to all company members or to the company member authorised under the memorandum of association to appoint the chairperson or the members of the company's management board. All other company members and, if the company has a supervisory board, the chairperson of the supervisory board shall be informed of the resignation.
- (3) A resignation may be revoked only with the consent of the person to whom it was given in accordance with the law or the memorandum of association.

Registration in the court register

Article 425 (OG 40/19)

- (1) Members of the management board, their authorisations to represent and any changes shall be promptly entered in the court register.
- (2) The application for the registration of changes referred to in paragraph 1 of this Article shall be accompanied by the resolution on the removal of the appointment of a member of the management board or their resignation and the resolution on the appointment of a new member in the original or officially certified copy.
- (3) The application shall contain the statements of the new members of the management board given pursuant to Article 394, paragraph 4, item 3, of this Act.
- (4) The registration in the court register of a change in the membership of the management board shall be of a declaratory nature.

Representation

Article 426

- (1) The company shall be represented by the management board.
- (2) Unless otherwise stipulated in the memorandum of association, the members of the management board shall represent the company jointly. Signing shall be effected in such a way that they add their names in manuscript to the corporate name.
- (3) If the management board is comprised of more than one member, the memorandum of association may stipulate that the company is to be represented by one member of the management board or by several members of the management board jointly or by one member of the management board together with the procurator. It shall not be permitted to include in the memorandum of association a provision stipulating that individual or all members of the management board may represent the company only together with one or more procurators.
- (4) Declarations of intent made to the company shall also be valid if they have been made to only one of the persons jointly authorised to represent the company or to the person stated in Article 396, paragraph 1, item 7, of this Act.
- (5) The manner in which several persons represent the company shall be published at the same time as such authorisation is registered in the court register.
- (6) If the company has no members of the management board required to represent it, the person authorised to represent the company may in urgent cases be appointed upon motion by an interested party by the court for the period of time until the company appoints such management board member or until the court appoints a temporary trustee.
- (7) If the company has no member of the management board and no temporary trustee, for the purpose of receipt of declarations and letters it shall be represented by the members of the supervisory board, if the company has one, and if

it has not, by the company members. Declarations of intent shall be made to them and letters addressed to them at the addresses stated in the court register. A declaration of intent shall be considered validly made or a letter validly delivered if it was made or delivered to one such person at the address stated in the court register unless the person making the declaration vis-à-vis the company or the sender of the letter knew that such person has changed their address.

(8) If the company has only one member because all business shares of the company are held by one member or by that one member and by the company, legal transactions between them and the company in which they represent may be entered into under the condition of Article 41, paragraph 3, of this Act, even if they are not the sole member of the management board. Such transactions and transactions with third parties which they enter into in the name of the company shall, however, be concluded in writing or put in writing in the form of a document containing a text of what has been agreed on. The said documents shall not be required in the case of transactions within the regular course of the company's business and concluded under the usual terms.

(9) The company shall acquire rights and assume obligations arising from transactions concluded by the management board on its behalf irrespective of whether such transaction was explicitly entered into in the name of the company or whether in view of the circumstances it may be assumed that the intention of the parties to the transaction was to conclude the said transaction in the name of the company.

Restrictions on the power of representation

Article 427

(1) Members of the management board shall observe restrictions on their power to represent the company imposed by the memorandum of association, resolution of the company members and the mandatory instructions of the supervisory board.

(2) The restrictions referred to in paragraph 1 of this Article have no legal effect in respect of third parties. This relates particularly to the situation where representation extends only to certain transactions or types of transactions, or is only valid under certain circumstances or for a limited period or at certain places, or where consent of the company members or the supervisory board or some other body of the company is required for individual transactions.

Books and financial statements

Article 428

(1) The management board shall be responsible for the orderly book-keeping and the management of internal control activities.

(2) The management board shall be responsible for preparing the company's financial statements. It shall be required to submit without delay the prepared financial statements and the report on the condition of the company, if the company is required to prepare such report, to the supervisory board and the meeting. If an audit of the company's accounts is required, the management board shall also submit together with the said financial statements and the report on the condition of the company, if the company is required to prepare it, the audit report.

(3) Immediately upon their being drawn up, the management board shall provide each company member with the annual financial statements, the report on the condition of the company, if the company is required to prepare such report, the group's annual financial statements and the report on the condition of the group so that the company members might establish the company's annual financial statements at the meeting or by a resolution taken in writing within the legally prescribed term which may not be prolonged by the memorandum of association. If the annual financial statements were audited by an auditor, their report shall be submitted immediately after the company has received it. For a period of 14 days prior to the inspection of the annual financial statements at the meeting or prior to the expiry of the period for the passing of a resolution thereon in writing by company members, each member shall be entitled to inspect the company's books and records. If pursuant to law or the memorandum of association the company is required to have a supervisory board, the memorandum of association may stipulate that the company members shall not have the said right to inspect the company's books and records, that the period granted to them for such examination shall be shorter than the one prescribed by law or that they are subject to other limitations. In this case all company members shall be immediately provided with the report of the management board on the condition of the company, if

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the company is required to prepare such report, the draft resolution on the distribution of profits, the audit report, if the company has one, and the audit report relating to the group.

(4) The company shall not be obliged to provide the documents referred to in paragraph 3 of this Article if such documents were made available on the company's website for the entire period of time during which the company members are entitled pursuant to statutory provisions to inspect them.

Prohibition of competition

Article 429

(1) The provisions of Article 248 of this Act shall apply accordingly to the prohibition of competition of the members of the management board.

(2) If the company has no supervisory board, the consent referred to in Article 248, paragraph 1, of this Act shall be given by the company members.

(3) The consent referred to in Article 248, paragraph 1, of this Act concerning the company members appointed to the company's management board may also be given in the memorandum of association. Consent shall also be deemed given where a member of the company's management board has been appointed from among the company members despite the company members being aware of the existence of circumstances referred to in Article 248, paragraph 1, of this Act and not explicitly requesting the appointed member to act otherwise. Granted consent may be withdrawn at any time.

Conflict of interest

Article 429a (OG 110/15)

(1) The provisions of Article 248a of this Act shall apply accordingly to the prevention of the conflict of interest of a member of the management board.

(2) If a company does not have a supervisory board, the consent referred to in Article 248a, paragraph 1, of this Act shall be provided by company members.

Duty of care and liability of members of the management board

Article 430

The provisions of Articles 252, 273 and 273a of this Act shall apply accordingly to the duty of care and the liability of the members of the management board.

Extension of credit to members of the management board and procurators

Article 431

The provisions of Article 249 of this Act shall apply accordingly to the extension of credit to members of the management board and procurators and to members of their immediate families. If the company has no supervisory board, a resolution of the company members shall be substituted for a resolution of the supervisory board. The supervisory board or the company members may not resolve on the extension of credit if such credit would have to be granted from the company assets required to preserve the share capital. Credit extended in contravention of the previous sentence shall be repayable immediately.

Reports to the supervisory board or the meeting

Article 431a

The provisions of Article 250 of this Act shall apply accordingly to the submission of reports of the management board to the supervisory board, if the company has one, and if not, to the meeting.

Annual report on the condition of the company and the consolidated annual financial statements of the company

Article 431b

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(1) The provisions of Articles 250a and 250b of this Act shall apply accordingly to the submission of the annual report on the condition of the company and the consolidated annual financial statements of the company.

(2) If the company is not required to prepare the annual report on the condition of the company, information on the acquisition and disposal of own business shares shall be provided in the notes accompanying the financial statements.

Duties of the management board in the event of losses, overindebtedness or insolvency

Article 431c

The provisions of Article 251 of this Act shall apply accordingly to the duties of the management board in the event of losses, overindebtedness or insolvency.

Principles governing remuneration of members of the management board

Article 432

The provisions of Article 247 of this Act shall apply accordingly to the remuneration of members of the management board. If the company has no supervisory board, its powers shall be vested with the company members.

Deputy members of the management board

Article 433

The provisions relating to members of the management board shall also apply to their deputies.

Section 2 Supervisory board

Obligatoriness of the supervisory board

Article 434 (OG 114/22)

(1) The memorandum of association shall stipulate whether or not the company shall have a supervisory board.

(2) A company shall have a supervisory board:

1. if the average number of employees over the year exceeds 200; or
2. if a special act provides for this in cases where a company engages in a certain activity; or
3. if the amount of the share capital exceeds EUR 80,000.00 and the company has more than 50 members; or
4. if the company manages as a unity public limited companies or private limited companies that must have a supervisory board or holds a direct stake of more than 50% of their share capital and if in both cases the number of employees in any of the companies or all companies taken together is on average greater than 200; or
5. if the company is a general partner in a limited partnership and the average number of employees in both the company and the limited partnership is greater than 200.

(3) The average number of employees shall be determined as the number of employees of the company on the last day of each month during the previous calendar year.

(4) In the case referred to in paragraph 2, items 1, 4 and 5, of this Article, the management board shall be required to establish on the first day of January the average number of employees in the previous year. If this number exceeds the number of 200 employees, it shall be required to immediately notify the court of registration of this and to provide the court with the list of company members or the statement that there have been no changes in the company's membership. If in the period between two such notifications the average number of employees in the company comes to exceed 200, this shall be immediately notified to the court of registration. In the case of paragraph 2, item 4, of this Article, the management boards of the companies referred to therein shall immediately upon request provide the company's management board with the requested information.

Composition of the supervisory board

Article 435

The supervisory board shall be comprised of three members. The memorandum of association may provide for a specified higher number, which must be an odd number.

Eligibility for supervisory board membership

Article 436 (OG 130/23)

- (1) The provisions of Article 255 of this Act shall apply accordingly to the determination of who is eligible to be a member of the supervisory board. The provisions of Article 255, paragraph 3, of this Act shall apply accordingly to the termination of membership in the supervisory board.
- (2) If a person has been elected or appointed to more than one supervisory board, they shall be considered elected or appointed to only one supervisory board if they represent on the board a public body, a company within a group or a credit or financial institution doing business with the company on a long-term basis in order to protect its interests, but only if they are not a member of more than twenty supervisory boards.

Election and appointment of members of the supervisory board

Article 437 (OG 130/23)

- (1) The members of the supervisory board shall be elected on the basis of a resolution of company members, unless some of them are to be appointed by employees pursuant to special statutory provisions. If at least three members of the supervisory board are to be elected at the same meeting, upon request of the company members whose shares in aggregate equal at least one-third of the share capital represented at the meeting, the election of each member shall be resolved upon separately.
- (2) The right to appoint a certain number of members to the supervisory board may be granted by the memorandum of association to specific company members or the holders of specific shares. Such right may be granted only to such company members who may dispose of their shares only with the consent of the company. No more than one third of all members of the supervisory board shall be appointed in such a manner.
- (3) It shall not be permitted to elect or appoint deputies of members of the supervisory board.
- (4) The members of the first supervisory board shall be appointed at the time of the company's formation for a period of time not extending beyond the resolution of the meeting or the company members outside the meeting on decision on giving clearance to the members of the first supervisory board that is to be taken upon expiry of one year from the company's registration in the court register. Until then the meeting or the company members outside the meeting may remove them pursuant to a resolution taken by a simple majority of votes.
- (5) Unless the resolution on the election or the statement on the appointment provides otherwise, the term of office of a member of the supervisory board shall start to run on the date of adoption of such resolution or the giving of such statement regardless of the date of its registration in the court register.

Due care and liability of members of the supervisory board

Article 438

Deleted

Application of the provisions of this act relating to public limited companies

Article 439

The provisions of Articles 252 and 257 to 271, 273 and 273a of this Act shall apply accordingly to the supervisory board.

Section 3 Meeting

Exercise of the rights of company members

Article 440

- (1) The members of the company shall adopt resolutions for which they are authorised by virtue of this Act and the memorandum of association at the meeting. The meeting may also be held by video link if all members of the company agree to this in writing.
- (2) Resolutions may also be adopted without holding a meeting if all members in a particular case agree in writing on the resolution to be adopted or declare that they agree to vote on it in writing. If a resolution is adopted by written vote,

the majority required for its adoption shall not be determined on the basis of the votes cast, but on the basis of the total number of votes held by the members of the company.

(3) If all the company's shares are held by only one company member or by one company member and by the company, such member shall prepare and sign minutes without undue delay after the resolution is passed.

Competence of the meeting

Article 441 (OG 130/23)

(1) The meeting shall resolve on the matters stated in the memorandum of association, in particular with respect to:

1. financial statements of the company, the report of the management board on the condition of the company, if the company is required to prepare such report, the distribution of profits and the covering of losses, of the giving of clearance to the members of the management board and the supervisory board, if the company has one, which it shall do in the first eight months of the financial year for the previous year;
2. calls for payments of shares;
- 2a the repayment of additional payments in money to company members;
3. the appointment and removal of the members of the management board;
4. the election and removal of the members of the supervisory board, if the company has such a board;
5. the partition, consolidation and withdrawal of shares;
6. the granting of procurations and commercial powers of attorney for all plants that are to be granted by the management board;
7. the measures for checking and supervising management;
8. amendments to the memorandum of association;
9. assertion of the company's claims for damages against the members of the management board or the supervisory board or deputy members of the management board and the appointment of representatives in court proceedings if the company cannot be represented by the members of the management board or the supervisory board;
10. conclusion of contracts on the permanent acquisition of an asset or right for any of the company's plants for which a purchase price of more than one-fifth of the share capital is to be paid and on amendments to such contracts at the expense of the company, which amendments are a precondition for the enforceability of such contracts, except in the case of acquisition within the framework of enforcement proceedings. Such resolutions shall require a majority of three quarters of the votes cast.

(2) The competence of the meeting may be increased or decreased by the memorandum of association. The meeting shall not, however, be divested of its rights to pass the resolutions referred to in paragraph 1, items 1, 2a, 4 and 9, and if the contracts are concluded within two years after the registration of the company in the court register, item 10 of this Article.

(3) After the meeting has established the annual financial statements and, as appropriate, the consolidated financial statements as well as, where required, the annual report on the condition of the company and the consolidated annual financial statements of the company, the management board shall immediately, within the time limit specified by law, file such statements and reports together with the audit report, when the auditing of financial statements is provided by law or under the memorandum of association, to the court register for the purpose of registration of their delivery and publication of registration.

Convening the meeting

Article 442 (OG 34/22)

(1) The meeting shall be convened by the management board, unless the law or the memorandum of association also grants this right to someone else. Unless otherwise provided in the memorandum of association, the meeting shall take place at the company's seat.

(2) The meeting shall be convened at least once a year or, except in the cases provided for in this Act or the memorandum of association, whenever required by the interests of the company. It shall be convened without delay in particular if it is apparent that half the share capital is lost.

(3) Company members whose shares have a par value amounting in aggregate to at least one tenth of the share capital shall be entitled upon stating in writing the purpose and reasons to request that the meeting be convened. The memorandum of association may provide for a lower proportion of the share capital as a precondition for exercising this right.

(4) If the request referred to in paragraph 3 of this Article is not complied with within 14 days from its receipt by the body authorised to convene the meeting or if there is no such body, the persons who made the request can themselves convene the meeting stating the agenda. In such a case the meeting shall decide on how the costs of the meeting are to be borne.

Manner of convening the meeting and notice period

Article 443

(1) The meeting shall be convened as stipulated in the memorandum of association and if the memorandum of association does not provide for this, by registered letter addressed to all company members. At least seven days shall elapse from the date of the last notice of the meeting or the date of dispatch of the notice and the date of the meeting.

(2) The notice shall state as precisely as possible the agenda of the meeting. If amendments to the memorandum of association are planned, it shall also state the main proposed amendments.

(3) Company members whose aggregate holdings amount to at least one tenth of the share capital or, if the memorandum of association provides for this, hold a lower proportion of the share capital may request in writing that other items be put on the agenda, stating the purpose and the reasons therefor. Such request shall be provided to the company no later than three days after the date of announcement of the notice or the date of receipt of the notice as stipulated in paragraph 1 of this Article.

Competence of the meeting to pass resolutions

Article 444

(1) Unless the memorandum of association provides otherwise, the resolutions of the meeting shall be valid if company members or their representatives representing at least one tenth of the share capital of the company are present at the meeting.

(2) If the meeting was not properly convened and the resolutions on matters were not announced at least three days from the date of announcement of the notice or the date of receipt of the notice in the manner prescribed for convening the meeting, resolutions shall only be passed if all company members are present or represented at the meeting. This requirement need not be met in the case of resolving on the convening of a new meeting.

(3) In case the meeting is not competent to pass resolutions and the memorandum of association does not stipulate otherwise, such circumstance shall be referred to and a new meeting convened. The agenda of such meeting shall be limited to the agenda of the meeting that lacked the competent to pass resolutions. Valid resolutions may be passed by such meeting regardless of the portion of the share capital represented at it.

Passing resolutions at the meeting

Article 445 (OG 114/22)

(1) Unless the law or the memorandum of association provides otherwise, resolutions of the meeting shall require a majority of the votes cast.

(2) There is one vote for every EUR 10.00 of the par value of a share. In the case of the company referred to in Article 390a of this Act, every EUR 1.00 par value of a share shall grant one voting right until the company's share capital increases to at least the amount referred to in paragraph 7 of the said Article. The management board shall also, upon entering in the share register any change in the number of shares held by a company member, enter the number of corresponding voting rights at the meeting and shall issue to them upon request a certificate.

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(3) The memorandum of association may provide that company members have voting rights different from those provided in the previous paragraph of this Article, provided each company member is entitled to at least one vote.

(4) A company member may exercise their voting rights by a proxy holder who shall present at the meeting a written proxy indicating that it has been granted for voting purposes in the meeting, unless the memorandum of association stipulates that the proxy may also be granted in a less formal form. The legal representatives of natural persons and the persons representing legal persons pursuant to the articles of association may exercise voting rights at the meeting in the name of the represented members without having been granted proxies.

(5) A person benefiting from a resolution or being relieved of a duty by a resolution shall not vote on such resolution in the meeting. Neither shall such person vote as a representative of a company member. The same shall apply when resolving on a legal transaction between a company member and the company or on entering into or settling a dispute between them.

(6) A company member's voting right shall not be restricted in any way when resolving on their election or appointment or removal as a member of the management board or the supervisory board or liquidator.

Register of meeting resolutions

Article 446

(1) Resolutions passed at the meeting as well as those passed in writing shall be immediately entered in a special register of resolutions. Each company member shall be entitled to inspect during office hours the register of resolutions.

(2) Each company member shall upon request be provided without delay by registered mail excerpts from all resolutions entered in the register of resolutions and signed by the management board, indicating the date and place of their passing and the data on their entries into the said register.

Right to information

Article 447

(1) The management board shall upon receipt of request provide without delay information to every company member on the company's affairs and allow inspection of the financial statements and records.

(2) Such information and inspection as referred to in paragraph 1 of this Article may be refused to a company member if it is to be feared that the company member will use them for purposes outside the company and cause damage to the company or an affiliated company. Refusal shall require a resolution of the company's meeting.

(3) The management board may refuse to provide information on the company's affairs and allow inspection of the financial statements and records if the company has a supervisory board.

(4) The provisions of the memorandum of association shall not deviate from the provisions of paragraphs 1 and 2 of this Article.

(5) The provisions of Article 288 of this Act shall apply accordingly to the judicial decision on the right of a company member to information.

Nullity of meeting resolutions

Article 448 (OG 136/24)

The provisions of Articles 355 to 359 and Article 366a of this Act shall apply accordingly to the nullity of the meeting resolutions.

Action to challenge meeting resolutions

Article 449

The provisions of Articles 360 to 366a of this Act shall apply accordingly to actions to challenge meeting resolutions.

Section 4 Protection of minority rights

Judicial appointment of auditors

Article 450

- (1) If company members resolve to deny the motion for the appointment of auditors for the purpose of carrying out the audit of the last annual financial statements, the court may appoint one or more auditors upon application of company members whose aggregate holdings amount to at least one tenth of the share capital. The court shall only grant such request if proof is furnished that gross breaches of the law or the memorandum of association have been committed.
- (2) Company members who made the application referred to in paragraph 1 of this Article shall not for the duration of the audit transfer their shares without consent from the company.
- (3) The court shall hear the members of the management board and the supervisory board before appointing auditors.
- (4) On the basis of the application made, the court may condition the appointment of the auditor by the provision of security it deems appropriate.
- (5) The audit shall be deemed unjustified if it fully confirms the accuracy of financial statements, i.e. if it established that financial statements have been properly kept.

Powers of the auditor

Article 451

- (1) The auditors shall be entitled to audit the company's financial statements and records and request explanations and statements from the members of the management board and the supervisory board and the company employees in order to establish the condition of the company's business. All persons from whom they request explanations and statements shall be required to provide them immediately stating facts that are true and accurate. The supervisory board, if the company has one, shall take part in the auditors' work.
- (2) The court shall set the remuneration of the auditor. The auditors shall not receive from anyone else any other remuneration for their services.

Audit report

Article 452

- (1) The auditors shall submit their report to the company's management board and the supervisory board without delay. The audit report containing their findings and opinion shall specify whether all their requests were complied with for the duration of the audit and whether the last annual financial statements provide a true and accurate reflection of the company's financial position.
- (2) The company members who requested the audit shall be entitled to inspect the audit report and the accompanying documentation at the company's premises.
- (3) The management board and the supervisory board shall present the audit report at the company's next meeting and ask that the meeting resolve on the report. The report shall be read in its entirety at the meeting. On this occasion the management board and the supervisory board shall state their positions on all established irregularities and on the measures they intend to take or which they suggest be taken. The supervisory board shall also state its view on whether the company is entitled to request compensation. If the audit report reveals that gross breaches of the law or the memorandum of association have been made, the meeting of the company shall be convened immediately.
- (4) If there is no agreement as to who shall bear the costs of the audit, the court shall decide at its discretion and taking into account the results of the audit who and in what proportion is to bear the costs.
- (5) If the audit report reveals that the request for the audit was unfounded, the company members who maliciously or as a result of gross negligence requested the audit shall be jointly and severally liable to the company for the damage if has thus incurred.

Claims for damages to the company's benefit

Article 453

- (1) The company members whose aggregate holdings amount to at least one tenth of the company's share capital may assert a claim for damages of the company against the members of the management board and the supervisory board if the company members have refused to assert such claim against the said persons or if such petition was filed to the management board but the management board did not submit it in due time to the company members for resolution.

- (2) The action for damages shall be brought within three months from the date the petition to resolve on the bringing of the action was dismissed or from when the passing of a resolution thereon was frustrated.
- (3) For the duration of the dispute the claimants shall not dispose of their shares without the company's consent.
- (4) Upon the respondent's request, the court shall decide that the claimants are to provide security for the compensation of damage which the respondent is at risk of being caused as a result of the action.
- (5) If the action is dismissed as unfounded and it is established that it was brought out of malice or as a result of gross negligence, the claimant shall indemnify the respondent for the damage thus caused to them. If there is more than one claimant, they shall be jointly and severally liable.

Chapter 4 AMENDMENTS TO THE MEMORANDUM OF ASSOCIATION

Section 1 General provisions

Form of amendments

Article 454

- (1) Any amendment to the memorandum of association shall require a resolution of the company members. The resolution shall be made in the form of a notarial deed, a private document certified by a notary public or a notarial protocol.
- (2) A resolution on an amendment shall only become effective upon its registration in the court register.

Resolving on amendments

Article 455 (OG 130/23)

- (1) The resolution on an amendment to the memorandum of association shall require a majority of not less than three quarters of the votes cast. The memorandum of association may provide for a greater majority or additional requirements.
- (2) Any resolution on the provisions requiring the appointment of the supervisory board or the reduction of the remuneration which under the memorandum of association is to be paid to the members of the management board and the supervisory board for their services shall be passed by a simple majority of votes.
- (3) Any resolution imposing further obligations under the memorandum of association on company members in respect of the company or a decrease in the rights of particular members under the memorandum of association shall only be passed with the consent of all the company members affected.
- (4) The foregoing shall in particular apply to any resolution that introduces in the memorandum of association a provision on the extent to which shares are to be paid up or that amends any such provision of the memorandum of association.

Registration in the court register. Publication of registration

Article 456

- (1) An application shall be submitted to the court of registration for registering any amendment to the memorandum of association in the court register. The resolution on amendments to the memorandum of association, the full text of the memorandum of association in the form of a notarial deed and the certificate of a notary public stating that the provisions of the memorandum of association which have not been amended and which are kept at the court of registration together with the amended provisions fully correspond to the text of the attached memorandum of association shall be attached to the application.
- (2) Unless the amendment affects the data referred to in Article 396, paragraph 1, of this Act in the application for registration in the register it shall suffice to reference the documents submitted to the court concerning the amendment.
- (3) Resolutions not amending the previously published provisions of the memorandum of association shall not be published.

Section 2 Share capital increase

Manner of share capital increase. Increase by new payments

Article 457 (OG 130/23)

- (1) Any increase in the share capital shall require a resolution of the company members on amendments to the memorandum of association.
- (2) The share capital may be increased through payments for new shares or increased payments for existing shares as well as through capitalisation of reserves and profits into share capital.
- (3) On the basis of a share capital increase shares may be acquired by existing company members and by other persons.
- (4) Unless otherwise provided in the memorandum of association or the resolution on the share capital increase, the existing company members shall have the pre-emptive right to acquire shares in proportion to the par values of their shares in the company within one month following the resolution on the share capital increase.
- (5) The declaration on the acquisition of a share shall be made in the form of a notarial deed or a private document certified by a notary public.
- (6) The persons who by acquiring shares become members of the company shall state in the declaration thereon that they have acted in conformity with the memorandum of association. Their declaration shall specify the amounts paid for the shares acquired as well as the other obligations and consideration to which the acquiring entity is obligated under the memorandum of association.
- (7) The provisions of Article 390 of this Act shall apply accordingly to the share capital increase. A share capital increase by contributions of assets and rights shall not be possible unless expressly stated in the resolution on the share capital increase and unless a time limit for the contribution of assets and rights to the company is set. Assets and rights shall be contributed to the company before the application for registration of the share capital increase in the court register is submitted to the court of registration.

Registration of share capital increase by new payments in the court register. Publication of registration

Article 458 (OG 130/23)

- (1) As soon as the business shares in the increased share capital have been acquired and paid, the application for registration of the share capital increase in the court register shall be submitted to the court of registration. The provisions of Articles 394 and 395 of this Act shall apply accordingly to the application and the examination of the application.
- (2) The following shall be attached to the application for registration:
 1. the declaration on the acquisition of business shares in the form of a notarial deed or a private document certified by a notary public or an officially certified copy thereof;
 2. a list, signed by the applicants, of those acquiring the new business shares, showing the amounts of the business shares acquired and paid, the manner in which they have been made and attached proof of them having been made, and if the business shares were acquired by the existing company members, the aggregate par amount of their business shares;
 3. if the share capital was increased by contributions of things and rights, the agreements underlying such contributions.
- (3) The publication of registration of the share capital increase shall indicate the contents of the registration and in the case of contributions of things and rights, the data referred to in paragraph 2, item 3, of this Article. As regards the latter, a reference to the documents deposited with the court of registration shall suffice.

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(4) The provisions of Article 397, paragraphs 1, 3, 5 and 6, of this Act shall apply accordingly to the liability of the members of the management board who applied for the capital increase to be registered in the court register.

Authorised capital

Article 458a (OG 130/23)

(1) The memorandum of association may authorise the management board, for a period not exceeding five years after the registration of the company in the court register, to increase the share capital up to a specified par value (authorised capital) by issuing new business shares against corresponding payments. The amount of the authorised capital shall not exceed one half of the amount of the share capital at the date of such authorisation.

(2) Such authorisation may also be granted by amendment to the memorandum of association for a period not exceeding five years as from the date of registration of such amendment to the memorandum of association.

(3) Business shares may be issued against contributions of things and rights only if the granted authorisation provides for this.

Registration of authorised capital increase in the court register. Publication of registration

Article 458b

The provisions of Article 458 of this Act shall apply accordingly to the registration of the authorised share capital increase and the publication of registration.

Increase in share capital through capitalisation of reserves into share capital

Article 459 (OG 130/23)

(1) The capitalisation of the company's profit and capital reserves into share capital shall only be resolved after the financial statements for the last completed financial year before the year in which the resolution was passed have been established, provided such statements do not show a loss, including an uncovered loss brought forward, and the resolution on the distribution of profits has been passed. Reserves may be used for this purpose to the extent that this is consistent with their specific purpose as may other funds which are designated under the resolution on the distribution of profits to be transferred to such reserves. The provisions on amendments to the memorandum of association shall apply.

(2) The resolution on the share capital increase shall not be passed before one or more auditors appointed by a resolution of the company members audit the last annual financial statements and provide an unqualified auditors' certificate. If statements are more than eight months older as of the date of submitting the application for registration in the court register of the resolution on the share capital increase, new financial statements shall be prepared and audited by auditors. The resolution on the share capital increase shall be passed on the basis of such statements only if the auditors provide them with an unqualified auditors' certificate.

(3) The share capital increase shall be carried out through increase in the par amount of the existing business shares in the company or through the creation of new business shares. The provisions of Article 390, paragraph 1, of this Act shall apply accordingly. The resolution on the share capital increase shall specify whether or not the capital is being increased through increase in the par amount of the existing business shares in the company, and if so by which amount, or through the issue of new business shares, and if so, of what par value.

(4) The share capital increase shall be carried out in such a way that the aggregate par amount of the increased business shares corresponds to the increased share capital and in the case of a share capital increase through the issue of new business shares, that the amounts of the share capital allocated to such business shares together with the other amounts of the capital correspond to the share capital after its increase.

(5) The new business shares shall be allotted to the company members in proportion to their business shares before the share capital increase. A resolution of the company members contradicting this shall be null.

(6) Own business shares shall participate in the share capital increase.

(7) Partly paid business shares shall participate in the share capital increase in proportion to their par value. For these the share capital increase shall only be carried out through increasing the amount of the payments allocated to such business shares. If in addition to partly paid business shares there are also fully paid business shares, then for these the

share capital increase shall be carried out through increasing the par value of these business shares or through the issue of new business shares.

(8) If the share capital increase leads to only a part of a new business share relating to a business share, then this part right shall be independently saleable and inheritable. The rights arising from a new business share, including the claim for the issue of a document in respect of the new business share, shall only be exercised if part rights which together result in one full business share are under the control of one person, and if several persons are entitled to one business share, if all part rights together give rise to a full business share according to the provisions of Article 417 of this Act.

(9) The ratio of rights arising from the business shares shall not be affected by the capital increase. To the extent that individual rights of fully paid business shares are determined in accordance with the proportion of the amount paid in per business share, up until payment of the proportion still to be paid in these rights accrue to the company members only in proportion to the amount of the business shares paid in, increased by the percentage of the increase in the share capital over the par amount of the business share. If further business share payments are made then these rights shall increase correspondingly.

(10) The increased business shares shall participate, unless prescribed otherwise, in the profit for the full financial year in which the increase in the share capital is resolved. The provisions of Article 338, paragraph 2, of this Act shall apply accordingly.

Registration of share capital increase through capitalisation of reserves in the court register

Article 460

(1) The application for registration of the share capital increase in the court register shall be submitted immediately to the court of registration.

(2) The application shall be accompanied by the annual financial statements or the new statements referred to in Article 459, paragraph 2, of this Act, to the extent that such statements had to be prepared under this Act, serving as the basis for the resolution on the share capital increase and certified by the auditors. The persons submitting the application shall declare that there have been no changes in the assets of the company between the date on which the annual financial statements or the new financial statements were prepared and the date of the application that would count against the capital increase if it were resolved on the date of the application.

(3) The court shall allow registration of the resolution on the share capital increase in the court register if the filed annual financial statements or the new financial statements were prepared at a point in time not more than eight months before the application for registration.

(4) The court shall not be required to check whether the annual financial statements or the new financial statements have been prepared in accordance with this Act.

(5) The court shall state with the registration of the resolution that it relates to a share capital increase out of the company's own resources.

Effectiveness of the share capital increase

Article 461

The increase of the share capital shall become effective upon registration of the resolution on the share capital increase in the court register.

Section 3 Reduction of share capital

Manner of share capital reduction

Article 462 (OG 130/23)

(1) The share capital of the company shall only be reduced pursuant to a resolution of the company members on amendments to the memorandum of association and after the procedure prescribed by this Act has been completed. Such resolution shall specify the extent and the purpose of the share capital reduction as well as the manner in which such reduction is to be effected.

(2) Any reduction in the amount of the share capital set in the memorandum of association, regardless of whether it has been effected by returning share payments to company members, decreasing the par amounts of the shares, or releasing in full or in part the company members or their legal predecessors from the obligation to pay the amounts due for the shares shall be considered a share capital reduction.

(3) A reduction of the share capital below the amount set in Article 389, paragraph 2, of this Act shall not be permissible. If the share capital reduction is to be effected by returning the amounts paid for the shares or by releasing the company members from the obligation to pay the amounts due for the shares, the remaining amount of each payment shall not fall below the amount designated in Article 390, paragraph 1, of this Act. The provisions of Article 348 of this Act shall apply accordingly.

Application for registration of the intention to reduce the share capital in the court register

Article 463 (OG 110/15)

(1) The application for registration of the company's intention to reduce its share capital shall be submitted to the court of registration.

(2) As soon as it has been notified of the registration of the intended reduction of the share capital in the court register, the management board shall deliver the intention to the court register for the purpose of publication on the website of the commercial court, and shall make it public in the company's official journal, should it have one. Such publication shall indicate the company's readiness to satisfy or secure the claims lodged by creditors such as exist against the company on the day of the last publication of the intention to reduce the share capital. The publication shall also call on the company's creditors to register with the company within three months from the above date or else they shall be deemed agreed with the reduction of the company's share capital. The creditors known to the company shall be requested to register by separate notice.

Application for registration of amendment to the memorandum of association in the court register

Article 464

(1) The application for registration of an amendment to the memorandum of association in the court register shall be submitted to the court of registration upon expiry of the period given to creditors to register with the company. The provisions of Article 395, paragraph 1, of this Act shall apply accordingly to the examination of the application.

(2) The application shall be accompanied with the following:

1. proof that the intention to reduce the share capital has been published in the manner laid down in Article 463, paragraph 2, of this Act;
2. proof that creditors who registered with the company have been satisfied or secured;
3. statements of all members of the management board that all known creditors have been sent separate notices as referred to in Article 463, paragraph 2, of this Act and that no further creditors apart from those whose claims have been satisfied or secured registered with the company;
4. the list of company members on the basis of the resolution on the share capital reduction.

(3) If submitted proof that the creditors have been satisfied or secured does not correspond to the truth, all members of the management board shall be jointly and severally liable for damages to the creditors about whom incorrect data have been provided, but only for the amount which could not be satisfied from the company's assets.

(4) A company member shall be relieved of such liability if they prove that they did not know that the proof and statements provided by them were incorrect although they employed due care of a prudent businessman.

Payments to company members and release from obligations

Article 465 (OG 130/23)

(1) Payments to company members on the basis of a share capital reduction shall not be possible until the corresponding amendment to the memorandum of association has been registered in the court register.

(2) The release from the obligation to pay the amounts due for the shares, which was the purpose of the share capital reduction, shall be enforceable from the registration in the court register referred to in paragraph 1 of this Article.

Simplified share capital reduction

Article 465a

The provisions of Articles 349 to 351 of this Act shall apply accordingly to the simplified share capital reduction.

Distribution of amounts made available by the capital reduction

Article 465b

(1) The amounts from the capital reserves and profit reserves and the amounts added to the share capital through their reduction shall only be used to compensate for reductions in value and to cover losses. The amounts thus made available shall be added to the capital reserve to the extent that such capital reserve does not exceed 5% of the share capital. For this purpose, share capital is deemed to be the amount of the share capital remaining after the reduction.

(2) An amount that has been added to the capital reserve shall before the expiry of the fifth financial year after the passing of the resolution on the share capital reduction only be used for:

1. compensating for a loss for the financial year to the extent that it is not covered by profit carried forward from the previous year, and cannot be compensated by a release of profit reserves;
2. compensating for a loss carried forward from previous years to the extent that it cannot be covered by a profit for the financial year and cannot be compensated by a release of profit reserves; and
3. increasing share capital from company resources.

(3) If, in preparing the annual financial statements in respect of the financial year in which the resolution on the share capital reduction was passed, or in respect of both of the two following financial years, it becomes apparent that reductions in value and other losses did not actually materialise to the extent presumed in passing the resolution, then the difference shall be added to the capital reserve.

Share capital as shown after reduction

Article 465c

(1) In the annual financial statements for the last completed financial year ending before the passing of the resolution in respect of the capital reduction, the share capital, and the capital reserve and profit reserve may be shown at the levels they should amount to after the capital reduction. This shall not apply if values shown in the annual financial statements differ from the ones shown in resolution on the share capital reduction.

(2) The resolution on the establishing of the annual financial statements shall be passed simultaneously with the resolution on the share capital reduction.

(3) The resolutions referred to in paragraph 2 of this Article shall be null if the resolution on the share capital reduction is not entered in the court register within three months after its passing. The running of such period shall be tolled for as long as an action for nullification of the said resolution is pending.

(4) The annual financial statements shall only be published after the resolution on the share capital reduction is registered in the court register.

Simultaneous reduction and increase in share capital

Article 465d (OG 130/23)

(1) If, in the event of Article 465c, a resolution is passed on increasing the share capital simultaneously with reducing it, then the increase in capital can also be shown in the annual financial statements as having been carried out. The passing of the resolution on such share capital increase shall only be permitted if the acquired business shares are not paid in things and rights and if payment has been made for every new business share in the minimum amount required for the share capital increase, which shall be effective at the time of submitting the application for registration of the share capital increase in the court register. The acquisition of business shares and their respective payments shall be demonstrated to the notary public who documented in the form of a notarial deed the resolution on the share capital increase.

(2) The resolutions on the share capital reduction and the simultaneous share capital increase shall be null if not entered in the court register within three months after their passing. The running of such period shall be tolled for as long as an action for nullification of the resolution is pending. The resolutions may only be jointly registered in the court register.

(3) The annual financial statements shall only be published after the resolution on the share capital reduction is registered in the court register.

Chapter 5 DISSOLUTION

Grounds for dissolution

Article 466 (OG 40/19)

(1) The grounds for dissolution shall be as follows:

1. expiry of the period designated in the memorandum of association;
2. resolution of the company members;
3. merger by acquisition, merger by formation of a new company and full division;
4. a final ruling of the court of registration ordering the deletion of the company ex officio;
5. institution of bankruptcy proceedings;
6. a decision of the court of registration acting under the provisions of Article 367, paragraphs 2 and 3, and of Article 398, paragraph 8, of this Act;
7. nullity of the company;
8. closing of the company;
9. a final court judgment.

(2) Additional grounds for dissolution may be stated in the memorandum of association.

Resolution of company members on dissolution

Article 467 (OG 110/15, 40/19)

(1) Unless otherwise provided in the memorandum of association, in the event of paragraph 1, item 2, of Article 466 of this Act, the resolution shall be passed in the form of a notarial deed by a majority of not less than three quarters of the votes cast.

(2) The notarial deed under paragraph 1 of this Article may include declarations from liquidators on the absence of circumstances precluding their appointment and on their awareness of the obligation to duly inform the court.

Dissolution by court judgment

Article 468

(1) The company can be dissolved by court judgment if it becomes impossible to attain the purpose of the company or if other important reasons, inherent in the circumstances of the company, support the dissolution.

(2) The action for dissolution shall be directed against the company and can only be brought before the court referred to in Article 40, paragraph 1, of this Act. It shall only be initiated by company members whose aggregate holdings amount at least one tenth of the share capital.

Liability of members of the management board for payments made after a reason for bankruptcy occurs

Article 469

The members of the management board shall be liable to compensate the company for any payments made in the name of the company after a reason for the institution of bankruptcy proceedings over the company's assets has occurred.

This shall not apply to payments made after this point in time where consistent with the due care of a prudent businessman. The provisions of Article 430 of this Act shall apply accordingly.

Application for registration in the court register

Article 470

(1) The dissolution of the company as a result of expiry of the relevant period or a resolution of the company members shall be immediately reported to the court for registration in the court register. The court judgment on the dissolution of the company and the court decision on the institution of bankruptcy proceedings shall be delivered to the court of registration ex officio. In these cases the court shall register the dissolution ex officio.

(2) If the management board fails to submit the application for registration of the occurrence of a reason for the company's dissolution in the court register as requested by the court of registration, the said court shall call again on the management board to do so warning it that upon the expiry of the given term the court will register the occurrence of a reason for the company's dissolution in the court register ex officio and the court referred to in Article 40, paragraph 1, of this Act will appoint the liquidators. Prior to registering and appointing the liquidators, the court shall hear the management board and at its discretion a company member not engaged in the management of the company.

Liquidators

Article 471

(1) The members of the management board shall act as liquidators unless other persons are appointed by the memorandum of association or resolution of the company members. Upon motion by the supervisory board or company members whose aggregate holdings amount to at least one tenth of the share capital, or less if so provided by the memorandum of association, the court may also beyond the circumstances referred to in Article 470, paragraph 2, of this Act for just cause appoint other liquidators in addition to or instead of the aforementioned ones.

(2) The court may remove the liquidators it appointed under the conditions referred to in the previous paragraph of this Article. Liquidators who have not been appointed by the court may also be removed at any time by resolution of the company members.

(3) The prohibition of competition referred to in Article 429 of this Act shall not apply to liquidators.

(4) The liquidators appointed by the court shall be entitled to reimbursement of reasonable costs they incur as liquidators and remuneration for their services. If the liquidator appointed by the court and the company do not agree, the court shall stipulate the reimbursement and the remuneration.

(5) The regulations and provisions of the memorandum of association applicable to members of the management board shall apply to liquidators.

Application of the provisions of this act relating to public limited companies

Article 472

(1) The provisions of Article 368, paragraph 3, Articles 369 and 370, and Articles 372 to 384 of this Act shall apply accordingly to the liquidation of the company.

(2) Provisions of the previous paragraph shall also apply accordingly to liquidation of a simplified private limited company, provided that in the event of liquidation of the latter the creditors be invited to file their claims within two months of the publication of the invitation to creditors, while the company assets may be distributed among members upon the expiry of the six-month period after the publication of the invitation to creditors to file their claims.

Company dissolution in a simplified procedure

Article 472a (OG 40/19)

(1) A company may be dissolved in a simplified procedure without liquidation if all its members resolve in agreement on such dissolution of the company.

(2) In addition to the express statement that the company shall be dissolved in a simplified procedure without liquidation, the resolution shall contain the following information:

– the corporate name, seat, personal identification number and the registration number of the company dissolved in such a way,

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– the total number of members of the company, stating their full names, domiciles and personal identification numbers, or the corporate name, seat and personal identification numbers of all members,

– the plan of the distribution of the company's assets.

(3) All members of the company shall also give the statement:

– that the company has no outstanding obligations towards employees and former employees of the company or other outstanding obligations based on the employment relationship of employees and former employees,

– that the company has no disputable or indisputable, due or not yet due obligations towards other creditors, and

– that each member undertakes to satisfy, jointly and severally with all other members of the company, all remaining liabilities of the company, if it becomes apparent subsequently that they exist.

(4) The resolution referred to in paragraph 2 of this Article shall be made in the form of a notarial deed or a private document certified by a notary public. The statement of members of the company referred to in the previous paragraph shall be given in the same form.

(5) The company shall, without delay, publish on the website of the court register and in the company's official journal, if it has one, the resolution on the dissolution of the company in a simplified procedure without liquidation and the statement referred to in paragraph 2 of this Article.

Application for registration of the company dissolution

Article 472b (OG 40/19)

(1) An application for registration in the court register of the dissolution of the company based on the resolution of members on the dissolution of the company in a simplified procedure without liquidation shall without delay be submitted to the court of registration.

(2) The application for the registration shall be accompanied by the resolution of the members of the company on the dissolution of the company in a simplified procedure without liquidation, statements of all members of the company referred to in Article 472a, paragraph 3, of this Act and the confirmation that the company has no unsettled due debt for public contributions as defined by tax regulations.

(3) The court of registration may request from the members additional proof confirming the accuracy of the claims in the statement referred to in Article 472a, paragraph 3, of this Act, and it may also request that the members provide appropriate security from which the company's creditors will be satisfied, if it becomes apparent that the company had unsatisfied liabilities towards creditors.

(4) If prerequisites for registration have been met, the court of registration shall issue an order on the dissolution of the company in a simplified procedure without liquidation.

(5) In the order allowing registration it shall be stated that the court of registration will challenge the order if a justified objection is filed against it within 30 days from the day of publication of the order.

Objection against an order on the dissolution of a company in a simplified procedure

Article 472c (OG 40/19)

(1) Company members, company's creditors and state bodies may file an objection against an order on the dissolution of a company in a simplified procedure within 30 days from the day of its publication.

(2) The court of registration which issued the order on the dissolution of a company in a simplified procedure shall rule on the objection.

(3) If the court establishes that the objection is justified or that damage may be inflicted on creditors or company members, it shall challenge the order on the dissolution of a company without liquidation and inform the company about it, which shall continue with the liquidation procedure in accordance with this Act.

(4) Statements of company members by which they undertake the obligation to meet the company's liabilities shall lose legal effect when the order referred to in paragraph 3 of this Article becomes final.

(5) The court of registration shall publish the order referred to in paragraph 3 of this Article on the website of the court register, and the company shall publish it in its official journal, should it have one.

Deletion of the company from the register

Article 472d (OG 40/19)

(1) If no objection was filed against the order on the dissolution of a company without liquidation or if the court rejects or dismisses the filed objection, the court of registration shall issue an order on the deletion of the company from the court register and publish it on the website of the court register.

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(2) An appeal against the order referred to in paragraph 1 of this Article shall be allowed within 15 days from the day of the publication of the order.

(3) When the order on the deletion of the company from the court register becomes final, parts of the company assets shall be transferred to the company members in accordance with the distribution of the company's assets, as contained in the resolution referred to in Article 472a of this Act, and if any part of the assets has not been distributed by this plan, such part shall be transferred to all company members proportionally to the participation of the business share of each of them in the company's share capital.

Liability of company members

Article 472e (OG 40/19)

(1) After the deletion of the company from the court register, company members shall be liable jointly and severally with their entire property for liabilities of the company that was dissolved in a simplified procedure without liquidation.

(2) Creditors may exercise claims which they had towards the company from company members within two years from the day of publication of the deletion of the company from the court register.

(3) A company member who discharges a claim to the creditor shall have the right to request from each member to compensate them for the part that belongs to them. If not otherwise agreed, the part that belongs to a company member shall be determined proportionally to the participation of their business share in the company's share capital.

Keeping of books and records

Article 472f (OG 40/19)

The provisions of Article 382, paragraphs 4 and 5, of this Act shall apply accordingly to the submission for keeping of books and records and to the right to inspect books and records of a company dissolved in a simplified procedure without liquidation.

Exceptions

Article 472g (OG 40/19)

The provisions of Articles 472a to 472f of this Act shall not apply to companies whose objects cover also the activity referred to Article 32, paragraph 4, of this Act.

Chapter 6 NULLITY OF THE COMPANY

Article 472h (OG 40/19)

The provisions of Articles 384a to 384c of this Act shall apply accordingly to the nullity of a company.

TITLE VI AFFILIATED COMPANIES

Chapter 1 GENERAL PROVISIONS

Types of affiliated companies

Article 473

Affiliated companies means legally separate companies that with respect to each other are:

1. companies with a majority shareholding or a majority of voting rights in another company;
2. subsidiary and parent company;
3. a group of companies;
4. companies with mutual shareholdings; and
5. companies affiliated by entrepreneurial contracts.

Subsidiaries and parent companies

Article 474 (OG 40/19, 34/22)

- (1) If the majority of shares in a legally separate company are held by another company or if another company is entitled to the majority of the voting rights (majority holding), such company shall constitute a subsidiary and the other company shall constitute its parent company.
- (2) The portion of shares that is held by a company shall be determined, in the case of limited companies, by the ratio of the par value of shares held to the total share capital, and, in the case of companies with non-par value shares, by the number of shares. Own shares held by a company shall be deducted from the share capital. Shares held by another person in the name of the company shall be deemed equivalent to own shares.
- (3) The portion of the voting rights in the meeting to which a company is entitled shall be determined by the ratio of the number of voting rights exercisable in respect to the shares held by such company to the aggregate number of all voting rights. Voting rights arising from own shares held by the company and shares held by another person in the name of this company shall be deducted from the aggregate number of all voting rights.
- (4) Shares held by a subsidiary company or held by another person in the name of the company or a company controlled by it and, if the owner of the company is a natural person who is an entrepreneur, shares that constitute own property, shall be deemed to constitute shares held by the company.

Subsidiary and parent company

Article 475

- (1) Legally separate companies over which another company (parent company) is able to exert, directly or indirectly, a controlling influence, shall constitute subsidiary companies.
- (2) A majority owned company shall be presumed to be controlled by the company with a majority shareholding in it.
- (3) A company shall be deemed to exert a controlling influence over another company if as a shareholder or a company member it is entitled to elect or appoint and to revoke the appointments of or remove the majority of the members of the management board or the executive directors or the majority of the members of the supervisory board or the board of directors, or if pursuant to an agreement concluded with the other shareholders or company members it exercises control over the majority of the voting rights in the company.

Groups and members of groups

Article 476

- (1) If a parent and one or more subsidiary companies are subject to the common direction of the parent company, such companies shall constitute a group and the individual companies shall constitute members of such group. If companies are parties to a control agreement (Article 479) or if one company has been integrated into the other (Article 503), such companies shall be deemed to be subject to common direction. A subsidiary company and its parent company shall be presumed to constitute a group.
- (2) If legally separate companies are subject to common direction, although none of such companies controls the other, such companies shall constitute a group and the individual companies shall constitute members of such group.

Companies with mutual shareholdings

Article 477

- (1) Corporations which have their seat in the Republic of Croatia and are organised as limited companies and which are affiliated in such manner that each company holds more than one quarter of the shares of the other shall constitute companies with mutual shareholdings. The provisions of Article 474, paragraphs 2 and 4, of this Act shall apply in determining whether a company holds more than one quarter of the shares of the other company.
- (2) If one of the companies with mutual shareholdings has a majority holding in the other company or if one of such companies is able to exert, directly or indirectly, a controlling influence over the other, one such company shall constitute the parent and the other the subsidiary company.

(3) If each of the companies with mutual shareholdings has a majority holding in the other company, or if each is able to exert, directly or indirectly, a controlling influence over the other, each company shall constitute a parent and a subsidiary company.

(4) The provisions of Article 511 of this Act shall not apply to companies that constitute parent or subsidiary companies pursuant to paragraph 2 or 3 of this Article.

Information obligations

Article 478

(1) As soon as a company acquires more than one quarter of the shares of a corporation with seat in the Republic of Croatia, it shall promptly inform such limited company thereof in writing. The provisions of Article 474, paragraphs 2 and 4, of this Act shall apply in determining whether the company holds more than one quarter of the shares.

(2) For purpose of the information requirement pursuant to paragraph 1 of this Article, shares held by a company shall be deemed to include:

1. shares whose transfer may be required by such company, or a company controlled by it, or any other person in the name of such company or a company controlled by it; and

2. shares that such company, or a company controlled by it, or any other person in the name of such company or a company controlled by it, is obligated to acquire.

(3) As soon as any company acquires a majority holding (Article 474, paragraph 1), it shall promptly inform such company thereof in writing.

(4) If the holding falls below the level requiring informing, the company shall be promptly informed thereof in writing.

(5) The company shall promptly publish in its official journal the existence of a shareholding of which it has been informed pursuant to paragraph 1 or 3 of this Article, disclosing the company holding such shares. The company shall publish in the same manner and within the same time limit that the shareholding referred to in paragraph 1 or 3 of this Article no longer exists.

(6) The company referred to in paragraph 1 of this Article, a company controlled by it or any other person holding shares in the name of such companies shall not exercise rights arising from shares in another company without informing it thereof.

(7) A company that has been informed pursuant to paragraphs 1, 3 and 4 of this Article may require proof of the existence of the shareholding.

Outside shareholders

Article 478a

(1) If a control agreement or a profit transfer agreement has been concluded (Article 479, paragraph 1), outside shareholders shall be all shareholders of the parent company, with the exception of such shareholders who on the basis of a legally or economically grounded ties with the parent company (the other party to the agreement) benefit indirectly or directly from the agreement in a similar manner as the company (the other party to the agreement).

(2) The parent company shall not be deemed an outside shareholder.

(3) Company members of a subsidiary company, where the subsidiary company is a private limited company, shall also be deemed outside shareholders.

Chapter 2 ENTREPRENEURIAL CONTRACTS

Section 1 Types of agreements

Control agreement. Profit transfer agreement

Article 479

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(1) An agreement by which a corporation submits the management of the corporation's operations to another company shall constitute a control agreement. An agreement by which such company undertakes to transfer its entire profits to another company shall constitute a profit transfer agreement. An agreement by which a corporation undertakes to conduct its business in the name of another company shall also constitute a profit transfer agreement.

(2) If companies that are not controlled by one another submit by agreement to common direction, without one of such companies becoming controlled by the other company, such agreement shall not constitute a control agreement.

(3) Payments made by a company pursuant to a control agreement or a profit transfer agreement shall not constitute a violation of Articles 217, 220 and 223 of this Act.

Other entrepreneurial contracts

Article 480

(1) Agreements in which a corporation:

1. undertakes to pool its profits or the profits of certain operations (its plants) in whole or in part with the profits of other companies or certain plants of other companies for the purpose of sharing the pool's profits (profit pool agreement);

2. undertakes to transfer a share of its profits or the profits of certain operations (plants) in whole in part to another person (agreement to transfer a share of profits);

3. undertakes to lease its operations or certain parts of its operations (plants) to another person (agreement to lease operations) or to otherwise surrender the conduct of its operations or of certain parts of its operations to another person who shall conduct them in the name of the company but on their behalf (agreement to surrender operations) shall also constitute entrepreneurial contracts.

(2) An agreement on profit sharing with members of the management board or the executive directors and members of the supervisory board or the board of directors or with individual employees of the corporation, as well as an arrangement as to profit sharing under agreements entered into in the ordinary course of business or under licensing agreements shall not constitute an agreement to transfer a share of profits.

(3) The fact that an agreement violates the provisions of Articles 217, 220 and 223 of this Act shall not render any agreement to lease or surrender operations, or the resolution by which the meeting has consented to such agreement, null.

Section 2 Conclusion, amendments and termination of agreements

Consent of the meeting

Article 481

(1) An entrepreneurial contract shall only become effective upon consent of the meeting. The resolution thereon shall require a majority of not less than three quarters of the share capital represented at the passing of the resolution. The articles of association may provide for a larger capital majority as well as for additional requirements.

(2) A control agreement or profit transfer agreement shall, if the other party to the agreement is a corporation, become effective only if the meeting of such other corporation also consents thereto. The provisions of paragraph 1 of this Article shall apply accordingly to the passing of any such resolution.

(3) Any such agreement shall be made in writing.

(4) If pursuant to the previous paragraphs of this Article the approval of the general meeting or meeting, is required, the management board or the executive directors of each of the companies party to the entrepreneurial contract shall prepare a written report explaining and substantiating from the legal and economic perspective the conclusion of the entrepreneurial contract and its contents. The report shall in particular describe and justify the form and amount of the appropriate compensation pursuant to Article 491 of this Act or the severance fee pursuant to Article 492 of this Act and refer to any specific difficulties regarding the valuation of the company. The management boards or the executive directors of both companies party to the agreement may also prepare a joint report.

Audit of the entrepreneurial contract

Article 481a

- (1) The entrepreneurial contract shall be audited by one or more auditors. The auditors shall be appointed by the management board of the subsidiary company or upon its request the court in whose court register the subsidiary company is registered.
- (2) The auditors shall report in writing on the findings of the audit. The audit report shall conclude with a statement whether or not the proposed compensation pursuant to Article 491 of this Act or the proposed severance fee pursuant to Article 492 of this Act is appropriate. The following shall be indicated:
1. methods used to determine the compensation and severance fee;
 2. reasons why the use of these methods is appropriate;
 3. if several methods have been applied, which compensation or which severance fee would have resulted from the application of the different methods, and which weight has been attached to the different methods in determining the proposed compensation or the proposed consideration; and
 4. which specific difficulties appeared in evaluating the companies.
- (3) The audit shall not be required if all the shares in the subsidiary company are held by the parent company.

Preparation and conduct of the general meeting or meeting

Article 481b

- (1) As from the date of convocation of the general meeting or meeting which is to resolve on the granting of consent to the entrepreneurial contract, the following documents shall be made available for inspection by the shareholders or the company members at the business premises at the seat of the company:
1. the entrepreneurial contract;
 2. the reports of the management boards referred to in Article 481, paragraph 4, of this Act;
 3. the report of the auditors pursuant to Article 481a of this Act;
 4. the annual financial statements of the companies which are party to the agreement and, if the companies are required to prepare them, reports on the condition of the company for the preceding three years.
- (2) Upon request, and at the expense of the company, each shareholder or company member shall be provided with a copy of the entrepreneurial contract.
- (3) The shareholders or company members shall also have the right referred to in paragraph 1 of this Article at the general meeting or meeting that is to resolve on the granting of consent to the entrepreneurial contract.
- (4) The duties under paragraphs 1 to 3 of this Article shall not apply if the documents listed in paragraph 1 of this Article are made available on the company's website during the same period of time.
- (5) At the commencement of deliberations on the granting of consent to the entrepreneurial contract the management board shall make the said agreement available. Upon request each shareholder or company member shall be provided with information regarding all matters relating to the other company which are material in the context of such agreement.
- (6) The entrepreneurial contract shall be attached to the minutes of the meeting.

Registration in the court register. Date of effectiveness

Article 482

- (1) The application for registration of the entrepreneurial contract in the court register shall be submitted to the court of registration. Such application shall state the existence and type of the entrepreneurial contract and the name of the other contracting party, and further, in the case of agreements to transfer a share of profit, the arrangement as to the share of profit to be transferred. The agreement and the minutes of the meeting that consented to the agreement and, if such agreement only becomes effective upon the consent of the meeting of the other contracting party, the minutes of the meeting of the other contracting party and documents pertaining thereto shall be attached to the application in original, duplicate or officially certified copy.

(2) The agreement shall only become effective upon registration in the court register of the company's seat.

Amendment to the agreement

Article 483

(1) An entrepreneurial contract shall only be amended with the consent of the meeting. The provisions of Articles 481 and 482 of this Act shall apply accordingly.

(2) An amendment to the terms of the agreement laying down the obligation for the company to pay compensation to shareholders or company members who are neither the other contracting party nor at the same time the shareholders or company members of the company that under the agreement is to become the parent company (outside shareholders) or to acquire their shares shall require a separate resolution of the outside shareholders in order to become effective. The provisions of Article 481, paragraph 1, of this Act shall apply to such separate resolution. At the meeting resolving upon such consent, each outside shareholder shall upon request be provided with information regarding all matters relating to the other contracting party that are material in the context of such amendment.

Termination of agreement

Article 484

(1) An entrepreneurial contract shall only be terminated at the end of the financial year or an accounting period otherwise contractually agreed upon. A retroactive termination shall not be admissible. Termination shall be made in writing.

(2) An agreement that lays down the obligation for the company to pay compensation to outside shareholders or to acquire their shares shall only be terminated if the outside shareholders consent by separate resolution. The provisions of Article 481, paragraph 1, and Article 483, paragraph 2, of this Act shall apply accordingly to such separate resolution.

Cancellation of agreement

Article 485

(1) An entrepreneurial contract may be cancelled for just cause without observing any period of notice. Just cause shall in particular exist if it is likely that the other contracting party will not be able to fulfil its obligations arising from the agreement.

(2) The management board or the executive directors of the company shall only cancel without just cause an agreement which binds the company to pay compensation to the outside shareholders or to acquire their shares if the outside shareholders consent thereto by separate resolution. The provisions of Article 481, paragraph 1, and Article 483, paragraph 2, of this Act shall apply accordingly to such separate resolution.

(3) The notice of cancellation shall be made in written form.

Registration of cancellation or termination in the court register

Article 486

Immediately upon termination or cancellation of an entrepreneurial contract, an application for registration in the court register of the termination or cancellation of such agreement, the grounds and the date of cancellation or termination shall be submitted to the court of registration.

Section 3 Protection of the company and creditors

Statutory reserve

Article 487

The following amounts are to be transferred to the statutory reserve:

1. if a profit transfer agreement exists, the amount of the annual net profit accruing without such profit transfer, after deducting any loss carried forward from the previous year, which is required in order to fill up, during the first five

financial years commencing during the term of such agreement or upon completion of a capital increase, the statutory reserve plus the capital reserve, to one twentieth of the share capital or a higher proportion specified by the articles of association, but in any event not less than the amount specified in item 2 of this Article;

2. if an agreement to transfer a share of profits exists, the amount of the annual net profit accruing without such profit transfer, after deducting any loss carried forward from the previous year, which would be transferred to the statutory reserve pursuant to statutory provisions;

3. if a control agreement exists which does not obligate the company to transfer its entire profit, the amount which is required to fill up the statutory reserve in accordance with item 1 of this Article, but in any event not less than the amount specified in statutory provisions or, if the company is obligated to transfer a share of its profit, the amount specified in item 2 of this Article.

Maximum amount of profit transfer

Article 488

Irrespective of any agreements made regarding the amount of profit to be transferred, a company shall in no event transfer as profit an amount exceeding the annual net profit, after deducting any loss carried forward from the previous year and the amount to be transferred to the statutory reserve pursuant to the provisions of Article 487 of this Act. If during the term of the agreement amounts have been transferred to other reserves, such amounts may be withdrawn from such other reserves and transferred as profit.

Assumption of losses

Article 489

(1) In the case of a control agreement or profit transfer agreement, the other contracting party shall compensate any annual loss occurring during the term of the agreement to the extent that such loss is not compensated from the other reserves to which profit was transferred during the term of the agreement.

(2) If a subsidiary company has leased or otherwise surrendered the operation of its business to its parent company, such parent company shall compensate any annual loss occurring during the term of the agreement to the extent that the consideration agreed upon for such lease or surrender of operation does not constitute adequate compensation.

(3) The company shall only waive any claim for compensation after the expiry of three years from the date on which the cancellation or termination of the agreement was registered in the court register. The foregoing shall not apply if the party obligated to compensate is insolvent or enters into a settlement with their creditors to terminate or avoid bankruptcy proceedings. Such waiver or settlement shall only become effective if the outside shareholders consent thereto by separate resolution and no minority whose aggregate holding amounts to at least one tenth of the share capital represented at the passing of the resolution objects to this. Such objection shall be recorded in the minutes.

Protection of creditors

Article 490

(1) If a control agreement or profit transfer agreement is cancelled or terminated, the other contracting party shall provide security to the creditors of the company whose claims antedate the registration of the cancellation or termination of the agreement in the court register shall be deemed to have been published, provided that such creditors filed a request to such contracting party for such purpose within six months from the date of the publication of the registration. On publication of registration the creditors shall be advised of such right.

(2) Creditors who in the case of bankruptcy proceedings have a preferential right to satisfaction from the bankruptcy estate shall not have the right to request security.

Section 4 Protection of outside shareholders

Adequate compensation

Article 491

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- (1) A profit transfer agreement or control agreement shall provide for adequate compensation for outside shareholders of the company that submits the management of its business or transfers its profits to the other company. Provision for adequate compensation may be omitted only if the company does not have any outside shareholders at the time of the conclusion of the agreement.
- (2) The amount to be provided as compensation payment shall be not less than the annual amount which could be expected to be distributed as the average dividend for each share in view of the present and future condition of the company and the appropriate circumstances.
- (3) An agreement which contrary to paragraph 1 of this Article does not provide for any compensation payment shall be null. If the compensation provided for in the agreement is inadequate, it shall be determined by the court with jurisdiction pursuant to Article 40 of this Act.
- (4) Each outside shareholder shall have standing to make the motion for determination of adequate compensation. Such motion shall be made not less than two months after the date on which the registration in the court register of the agreement, or amendment thereto falling under Article 483, paragraph 2, of this Act has been published. In the case of two or more proceedings, the court shall consolidate them.
- (5) If the court determines the amount of the compensation payment, it shall order the company to reimburse the outside shareholders who participated in the proceedings for the court costs, and the other contracting party may cancel the agreement without complying with any notice period within two months of the date on which the decision has become final.
- (6) The court decision on the amount of the compensation payment falling under paragraph 5 of this Article shall be effective towards all shareholders entitled to compensation irrespective of whether they have participated in the proceedings in which such compensation was determined.

Severance Fee

Article 492

- (1) A control agreement or profit transfer agreement shall, in addition to the obligation to provide a severance fee, include the obligation of the other contracting party to acquire the shares of any outside shareholder upon request by such shareholder against an adequate severance fee specified in the agreement.
- (2) The agreement shall provide for the following severance fee: if the other contracting party is a public limited company, shares of such other company, or if the other contracting party is a subsidiary company, shares of the parent company, or a payment in money.
- (3) If shares of another company are provided as a severance fee, such a severance fee shall be deemed to be adequate if the shares are provided in the same proportion in which shares of the company would, in the case of a merger, be entitled to shares of the other company, provided that fractional amounts may be compensated by additional payments in money. When determining the adequate amount of monetary payment, the condition of the company, its past profitability and prospective profits at the time of its general meeting resolving on the agreement shall be taken into account.
- (4) If the agreement does not provide for any severance fee at all or for a severance fee which does not comply with the provisions of this Act, any outside shareholder may within three months of the publication of registration of the agreement in the court register request from the court to decide on the amount of an adequate severance fee. In the case of two or more proceedings, the court shall consolidate them.
- (5) If the agreement does not provide for the acquisition of shares of the other contracting party when such party is a public limited company or a parent company of this company, the court shall determine that the severance fee be paid in money. If the court decides in favour of the shareholders, it shall order the company to reimburse to the shareholders that participated in the proceedings the court costs. The court decision shall apply to all outside shareholders. The management board or the executive directors shall publish the court's decision which has become final in the company's official journal.

Chapter 3 POWERS AND LIABILITIES IN THE CASE OF SUBSIDIARY COMPANIES

Section 1 Powers and liabilities in the case of a control agreement

Right to manage the company's operations

Article 493

- (1) In the case of a control agreement, the parent company shall be entitled to issue instructions to the management board or the executive directors of the company with respect to management of the company's operations. Unless otherwise provide in such agreement, instructions may be issued which are disadvantageous to the subsidiary company, if they are advantageous to the parent company or to affiliated companies which are members of the same group as such parent company and such company.
- (2) The management board or the executive directors of the subsidiary company shall be obligated to comply with the instructions of the parent company. The management board or the executive directors of the subsidiary company shall not refuse compliance with an instruction on the grounds that such instruction does not in its opinion serve the interests of the parent company or of affiliated companies that are members of the same group as such parent company and such subsidiary company, unless such instructions manifestly do not serve such interests.
- (3) If the management board or the executive directors of the subsidiary company have been instructed to undertake a transaction which requires the consent of the subsidiary company's supervisory board or the board of directors, and such consent has not been granted within a reasonable period of time, the management board or the executive directors of the subsidiary company shall inform the parent company thereof. If after such notification the parent company renews its instruction, the consent of the supervisory board or the board of directors shall no longer be required. If the parent company has a supervisory board or a board of directors such instruction shall only be renewed with the approval of such board.

Liability of the legal representatives of the parent company

Article 494 (OG 40/19)

- (1) In the case of a control agreement, the legal representatives (in the case of a natural person who is an entrepreneur, the person in question) of the parent company shall, in issuing instructions to the company, employ the due care of a prudent businessman.
- (2) If such legal representatives violate their duties, they shall be jointly and severally liable to the subsidiary company for any resulting damage. They shall bear the burden of proof in the event of a dispute as to whether or not they have employed the due care of a prudent businessman.
- (3) The company may waive or compromise any claim for damages not made prior to the expiry of three years from the date on which such claim has arisen and only if the outside shareholders consent thereto by separate resolution and no minority whose aggregate holding amounts to at least one tenth of the share capital represented at the passing of the resolution records an objection in the minutes. The foregoing limitation period shall not apply if the person liable for damages is insolvent or enters into a settlement with their creditors to avoid or terminate bankruptcy proceedings.
- (4) Any claim of the company for damages may also be asserted by any shareholder. Such claim for damages may furthermore be asserted by the creditors of the company insofar as such creditors cannot obtain satisfaction from the company. Liability for damages with respect to the creditors shall be extinguished neither by a waiver nor by a settlement entered into by the company. If bankruptcy proceedings have been instituted over the assets of the company, the bankruptcy administrator shall exercise the rights of the shareholders and creditors as against the company during the course of such proceedings.
- (5) Claims under the foregoing provisions of this Article as against the legal representatives shall be statute barred after expiry of a period of five years.

Liability of the members of the management board and the supervisory board of a subsidiary company

Article 495

- (1) Members of the management board or the executive directors and members of the supervisory board or the board of directors of a subsidiary company shall, in addition to any person liable for damages under Article 494 of this Act, be jointly and severally liable if they have acted in violation of their duties. They shall bear the burden of proof in the event of a dispute as to whether or not they have employed the due care of a prudent businessman.
- (2) The consent of the supervisory board or the board of directors to such act shall not preclude liability for damages.
- (3) The company's management board members shall not be liable for damages if the act causing damage was based on an instruction that was binding pursuant to the provisions of Article 493, paragraph 2, of this Act. The provisions of Article 494, paragraphs 3 to 5, of this Act shall apply.

Section 2 Liability in the absence of a control agreement

Limitation on the exercise of influence

Article 496 (OG 40/19)

- (1) In the absence of a control agreement, a parent company shall not exercise its influence to cause a subsidiary company to undertake or refrain from undertaking a disadvantageous transaction or act, unless it undertakes to compensate any disadvantage which the subsidiary company might thus incur.
- (2) If such compensation is not made during the financial year in which the subsidiary company is caused such disadvantage, the time and means by which such disadvantage shall be compensated shall be determined no later than the end of such financial year. The subsidiary company shall be granted an entitlement to the measures designated to serve as compensation.
- (3) The rules referred to in this Article shall not exclude application of the provisions of Articles 263a to 263c of this Act.

Report of the management board or the executive directors of a subsidiary company on relations with affiliated companies

Article 497

- (1) In the absence of a control agreement, the management board or the executive directors of a subsidiary company shall, within the first three months of each financial year, render a report on the company's relations with affiliated companies. Such report shall specify all transactions entered into by the company during the previous financial year with the parent company or any company affiliated with such parent company or at the instruction and in the interest of any such company and all other acts which the subsidiary company has undertaken or refrained from undertaking at the instruction of any such company. Such report shall, with regard to transactions, specify any consideration given or received and, with regard to acts undertaken, state the reasons for such acts and the advantages and disadvantages for the subsidiary company. If compensation for disadvantages was given, such report shall specify the manner in which such compensation was actually given during the financial year and for which measures the company has been granted an entitlement.
- (2) Such report shall comply with the principles of conscientious and accurate accounting.
- (3) The management board or the executive directors shall, at the end of such reports, state whether the company, under the circumstances known to the board at the date on which the company entered into such transaction or undertook or refrained from undertaking such act, received adequate consideration for each such transaction and whether it suffered any disadvantage by reason of undertaking or refraining from undertaking such act. If the company suffered any disadvantage, the management board shall further state whether such disadvantage has been compensated. Such statements shall be included in the report on the condition of the company.
- (4) The report referred to in paragraph 1 of this Article shall not be rendered if a profit transfer agreement has been concluded between the parent and the subsidiary companies.

Audit of the report on relations with affiliated companies

Article 498 (OG 40/19)

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(1) If the annual financial statements are to be audited by an auditor, the report referred to in the previous Article of this Act shall be submitted to the auditor together with the annual financial statements and the report on the condition of the company. The auditor shall conduct an audit of that report in the extent necessary to acquire reasonable confidence whether:

1. the factual statements in such report are accurate;
2. the consideration given by the company for the transactions specified in such report was not inadequately high in view of the circumstances known at the time such transactions were entered into; and, if this was the case, whether the disadvantages have been compensated;
3. circumstances would justify a materially different opinion in respect of the acts specified in the report from the opinion of the management board or the executive directors.

When performing the audit, the provisions of Article 299, paragraphs 1 to 3, of this Act shall apply accordingly.

(2) The auditor shall report in writing on the conducted audit. If the auditor finds in the course of the audit that the annual financial statements, the report on the condition of the company and the report on the relations with affiliated companies are incomplete, they shall also report thereon. The auditor shall sign and submit the audit report to the company's management board or the executive directors.

(3) If the auditor, on the basis of the conducted audit and judgement, finds that the report on the relations with affiliated companies does not give rise to any objections, the auditor shall, with respect to that report, confirm this by the following note:

„On the basis of my/our examination and judgement of the report on the relations with affiliated companies I/we hereby confirm that in all significant determinants:

1. the factual statements in the report are accurate;
2. the consideration given by the company for the transactions specified in the report was not inadequately high in view of the circumstances known at the time such transactions were entered into and that any disadvantages incurred have been compensated;
3. no circumstances would justify, in respect of the acts specified in the report, a materially different opinion from the opinion of the management board or the executive directors.

(4) Item 2 of the previous paragraph shall be omitted from such note if the report does not specify any transactions and item 3 of the previous paragraph shall be omitted from such note if the report does not specify any acts. If the auditor has not determined that the consideration given by the company for any transaction specified in the report was inadequately high, item 2 of the previous paragraph of such note shall be limited to confirmation of such fact.

(5) If objections are to be made or the auditor has determined that the report on relations with affiliated companies is incomplete, the auditors shall either restrict the working of the confirmation note or refuse to provide any confirmation. If the management board or the executive directors have stated that the company has suffered a disadvantage as a result of certain transactions or acts, and that such disadvantages have not been compensated, such fact shall be stated in the note and the note shall be restricted to any other transactions or acts.

(6) The auditor shall sign the confirmation note stating the place and date of signature. Such note shall also be included in the audit report.

(7) The Croatian Audit Chamber is authorised to adopt an auditing standard or a guideline that should be used when auditing the report on relations with affiliated companies. The lack of an auditing standard or a guideline shall have no effect on the obligation to conduct the audit of a report on relations with affiliated companies.

Examination by the supervisory board or the board of directors

Article 499 (OG 40/19)

(1) The management board or the executive directors shall submit to the supervisory board or the board of directors the report on relations with affiliated companies and, if the annual financial statements are to be audited by an auditor, the auditor's report. Each member of the supervisory board or the board of directors shall be entitled to take cognizance of such reports. Such reports shall be delivered to each member of the supervisory board or the board of directors, unless the supervisory board or the board of directors has decided otherwise.

(2) The supervisory board or the board of directors shall examine the report on relations with affiliated companies and comment on the findings of such examination in its report to the general meeting. If the annual financial statements are to be audited, the supervisory board or the board of directors shall in its report comment on the findings of the audit of the report on relations with affiliated companies. The confirmation note of the auditor shall be included in such report and the refusal to provide such note shall be expressly stated.

(3) The supervisory board or the board of directors shall, at the end of the report, state whether or not there are objections to the comments of the management board or the board of directors given at the end of the report on relations with affiliated companies.

(4) If the annual financial statements are to be audited, the auditor shall, at the request of the supervisory board or the board of directors, take part in the deliberations of the supervisory board regarding such reports.

Special audit

Article 500 (OG 40/19)

(1) The court shall upon motion by a shareholder or a member of the private limited company order that a special audit of business relations of the company with its parent company or a company affiliated with such parent company be made if:

1. the auditor has restricted, under Article 498, paragraph 5, of this Act, the wording of or refused to provide a confirmation note;
2. the supervisory board has stated that objections are to be made to the comments of the management board at the end of the report on relations with affiliated companies;
3. the management board or the executive directors have stated that the company has suffered a disadvantage as a result of certain transactions or acts, and such disadvantages have not been compensated.

(2) If other facts support the suspicion that the company has suffered a disadvantage as a result of a violation of the duty to duly manage the company's operations, the petition may also be made by shareholders or company members whose aggregate holdings reach the threshold set forth in Article 298, paragraph 2, of this Act if they furnish proof that they have been the holders of the shares for at least three months prior to the date of filing the petition.

Liability of the parent company and its legal representatives

Article 501

(1) If a parent company causes a subsidiary company with which it has not concluded a control agreement to enter into a transaction or to undertake or refrain from undertaking any act which is disadvantageous for such subsidiary company, without compensating such disadvantage by the end of the financial year or granting to the subsidiary company an entitlement to any measures serving as compensation for this, such parent company shall be liable for any resulting damage to such subsidiary company. The claim for damages may be individually asserted by both shareholders and company members irrespective of the loss incurred by them as a result of the damage to the company.

(2) The legal representatives of the parent company who have caused the subsidiary company to enter into such transaction or undertake or refrain from undertaking such act shall be jointly and severally liable along with the parent company.

(3) The parent company shall not be liable if a prudent businessman of an independent company would have entered into such transaction or undertaken or refrained from undertaking such act.

(4) The provisions of Article 494, paragraphs 3 to 5, of this Act shall apply accordingly to the liability of legal representatives.

Liability of the bodies of the subsidiary company

Article 502

(1) The members of the management board or the executive directors of the subsidiary company shall be jointly and severally liable together with the persons liable pursuant to Article 501 of this Act if, in violation of their duties, they have failed to include any disadvantageous transaction or act in their report on relations of the company with affiliated companies or to state that the company has suffered a disadvantage as a result of such transaction or act and that such

disadvantage has not been compensated. They shall bear the burden of proof in the event of a dispute as to whether or not they have employed the due care of a prudent businessman.

(2) The members of the supervisory board or the management board of the company shall be jointly and severally liable together with persons liable pursuant to Article 501 of this Act if, with respect to any disadvantageous transaction or act, they have violated their duty to examine the report on relations with affiliated companies and to report to the meeting on the findings of such examination.

(3) There shall be no liability for damages if any such act was based on a lawful resolution of the meeting.

(4) The provisions of Article 494, paragraphs 3 to 5, of this Act shall apply accordingly to the liability of members of the bodies of the subsidiary company.

Chapter 4 INTEGRATED COMPANIES

Integration

Article 503

(1) The general meeting of a public limited company or the meeting of a private limited company may resolve to integrate the company into another public limited company or private limited company with a seat in the Republic of Croatia (principal company) if all shares of such company or the only share in the company are held by the prospective principal company. The provisions of this Act and the provisions of the articles of association governing amendments to the articles of association shall not apply to such resolution.

(2) The resolution on integration shall become effective only upon consent by the meeting of the prospective principal company. The resolution on the consent shall require a majority of not less than three quarters of the share capital represented at its passing. The articles of association may provide for a larger capital majority and for additional requirements. The second sentence in paragraph 1 of this Article shall apply to this resolution.

(3) As from the date of convening the meeting which is to resolve on the consent to the integration, the following documents shall be made available for inspection by the shareholders or company members at the business premises of this company:

1. the integration resolution;
 2. a report by the management board of the prospective principal company in which the integration shall be explained and substantiated from the legal and financial perspective (integration report);
 3. the annual financial statements and, if the companies are required to prepare them, the reports on the condition of the company of the participating companies for the last three years.
- (4) Upon request, and at the expense of the company, each company member or shareholder shall free be provided with a copy of the integration resolution.

(5) The shareholders or company members shall also be entitled to exercise the right referred to in paragraph 3 of this Article at the meeting that is to resolve on the granting of consent to integration.

(6) The shareholders or company members shall not be entitled to exercise the right referred to in paragraphs 3 to 5 of this Article if the documents referred to in paragraph 3 of this Article are made available on the future principal company's website during the same period of time.

(7) At the start of the deliberations on the granting of consent to integration, the management board or the executive directors shall make these documents accessible. Each shareholder or company member shall upon request also be provided with information about all matters relating to the company to be integrated which are material in the context of the integration.

(8) The management board or the executive directors, and the chairperson of the supervisory board of the integrated company, if such company has one, shall submit an application for registration of the integration in the court register in which the company is registered. The application shall state the corporate name of the principal company. The resolution of the meeting of the principal company granting consent to the integration, minutes of the meeting resolving on the integration and documents pertaining thereto in original, duplicate or officially certified copy, and a statement by

the management board or the executive directors declaring that an action against the validity of the integration resolution has not been filed or that any such action has been dismissed in a final decision shall be attached to the application.

(9) The integration of the company into the principal company shall become effective upon registration of the integration in the court register with jurisdiction over the integrated company's seat. Upon registration of the integration in the court register, any defects in the integration resolution shall be without effect in respect to the validity of the carried out integration. The removal of this effect of registration shall not be requested as compensation.

Integration by majority resolution

Article 504

(1) The meeting of a public limited company or a private limited company may also resolve to integrate the company into another public limited company or private limited company with a seat in the Republic of Croatia if the prospective principal company holds shares of the company representing in aggregate ninety-five per cent (95%) of the share capital. Own shares and shares held by another person in the name of such company shall be deducted from the share capital. The provisions of Article 503, paragraphs 1, 2, 8 and 9, of this Act shall apply accordingly to such integration.

(2) The publication of the integration as an item on the agenda shall only be deemed duly made if:

1. it includes the corporate name and seat of the prospective principal company;
2. a statement of the prospective principal company has been attached to it, in which such prospective principal company offers own shares to former shareholders or company members as compensation for their shares, and, in the case of Article 504a, paragraph 2, third sentence, of this Act, an also payment of monetary severance fee. The provision of item 2 of this paragraph shall also apply to the publication by the prospective principal company.

(3) The integration shall be audited by one or more auditors (integration auditors). Such auditors shall be appointed by the management board or the executive directors of the prospective principal company.

(4) The auditors shall report in writing on the results of the audit. The report shall conclude by a statement on whether the amount of the severance fee pursuant to Article 504a of this Act has been adequately set. The following shall be indicated:

1. methods used to determine the severance fee;
2. reasons why the use of these methods is appropriate;
3. if several methods have been applied, which severance fee would have resulted from the application of the different methods, and which weight has been attached to the different methods in determining the proposed severance fee;
4. which specific difficulties appeared in evaluating the companies.

(5) As from the date of convocation of the general meeting or meeting which is to resolve on the granting of consent to integration, the following documents shall be made available for inspection by the shareholders or company members of the company to be integrated and the prospective principal company at the business premises of the company's seat:

1. the integration resolution;
2. the report of the management board of the prospective principal company in which the integration shall be explained and substantiated from the legal and financial perspective;
3. the annual financial statements and, if the companies are required to prepare them, the reports on the condition of the company of the participating companies for the last three years;
4. report by the auditor referred to in paragraph 4 of this Article.

(6) The integration report referred to in paragraph 5, item 2, of this Article shall explain and substantiate the form and amount of the severance fee pursuant to Article 504a of this Act and warn of specific difficulties in the valuation of the company and the consequences of integration for the shares of the shareholders or company members of both companies.

(7) Upon request, and at the expense of the company, each member or shareholder of the company to be integrated and the prospective principal company shall be provided with a copy of the integration resolution.

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(8) The shareholders or company members shall be entitled to exercise the right referred to in paragraph 5 of this Article also at the meeting that is to resolve on the consent to the integration.

(9) The shareholders or company members shall not be entitled to exercise the rights referred to in paragraphs 5, 7 and 8 of this Article if the documents referred to in paragraph 5 of this Article are made available on the company's website during the same period of time.

Severance fee to shareholders or members, of the integrated company

Article 504a (OG 34/22, 130/23)

(1) Upon the registration of the integration in the court register, all shares that are not held by the principal company shall be transferred to the principal company. In such a case, the application for the registration of the sole company member in the court register shall be made together with the application for the registration of the integration.

(2) The former shareholders of the integrated company shall be entitled to adequate severance fee. As severance fee they shall be granted own shares of the principal company. If the principal company is a subsidiary company, the former shareholders may elect to receive own shares of the principal company or an adequate monetary severance fee. If shares of the principal company are granted as severance fee, such severance fee shall be deemed to be adequate if such shares are to be granted in the same proportion in which shares of the company would, in case of a merger, be entitled to shares of the principal company, provided that fractional shares may be compensated by additional payments in money. The monetary severance fee shall take into account the conditions of the company at the time of the adoption of the resolution of its meeting on the integration. Interest shall accrue on the severance fee and additional payments in money at the rate determined, for each half-year, in the amount of three percentage points over the reference rate provided for in the Financial Operations and Pre-Bankruptcy Settlement Act from the moment of registration of the integration in the court register to the payment to shareholders or company members. Claims for further damages shall not be precluded.

(3) Each former shareholder or member of the integrated company shall have standing to make motion to the court with jurisdiction pursuant to Article 40 of this Act to set the amount of severance fee if they deem that the severance fee offered is inadequate or that the principal company has not or has not properly offered severance fee. Such motion may be made only within a period of two months from the date on which the registration of the integration in the court register shall be deemed to have been published. An action to challenge the resolution of the integrated company on the integration of the company shall not be filed for the above reasons.

(4) In the case of two or more proceedings, the court shall consolidate them. If the court determines that the severance fee offered is inadequate or that the principal company has not or has not properly offered severance fee and sets the amount of adequate severance fee, it shall order the principal company to reimburse the court costs to the shareholders that participated in the proceedings.

(5) The court decision on the amount of severance fee referred to in paragraph 4 of this Article shall be effective towards all shareholders entitled to severance fee irrespective of whether they have participated in the proceedings in which such severance fee was determined.

Protection of creditors

Article 505

(1) Creditors of the integrated company whose claims antedate the publication of the registration of the integration in the court register shall be provided with security insofar as they are not able to request satisfaction otherwise, provided that they filed a request for this purpose within six months after the date of such publication. On publication of the registration the creditors shall be advised of such right.

(2) Creditors shall not be entitled to request provision of security if they have a preferential right to satisfaction from the bankruptcy estate in the case of bankruptcy.

Liability of the principal company

Article 506

- (1) As from the date of the registration of the integration the principal company shall be liable to the creditors of the integrated company as joint and several debtor for the obligations of such company that have been incurred both prior to and after the integration. Any agreement to the contrary shall have no effect in respect of third parties.
- (2) If a claim is made against the principal company regarding an obligation of the integrated company, such principal company shall be able raise defences other than those it has in its own right only if such defences may be raised by the integrated company.
- (3) The principal company may refuse to satisfy a creditor for as long as the integrated company has the right to challenge the transaction giving rise to such obligation. The principal company shall have the same right for as long as the creditor may obtain satisfaction by setting off against a claim of the integrated company that is due.
- (4) A title which is enforceable against the integrated company shall not be enforced against the principal company.

Powers of the principal company and liability of members of the management board or executive directors

Article 507

- (1) The principal company shall be entitled to issue instructions to the management board or the executive directors of the integrated company regarding the management of the company's operations. The provisions of Article 493, paragraphs 2 and 3, and Articles 494 and 495 of this Act shall apply accordingly. The provisions of Articles 496 to 502 of this Act shall not apply.
- (2) Payments and other forms of consideration given by the integrated company to the principal company shall not be deemed to constitute a violation of the provisions of Articles 217, 220 and 223 of this Act.

Statutory reserve. Profit transfer. Assumption of losses

Article 508

- (1) The provisions governing the creation of a statutory reserve, the use thereof and the transfer of amounts to the statutory reserve shall not apply to integrated companies.
- (2) The principal company shall compensate any loss shown in the profit and loss statement of the integrated company insofar as such loss exceeds the amount of reserves.

Right of the principal company's shareholders or members to information

Article 509

Each shareholder or member of the principal company shall be entitled to information regarding matters relating to the integrated company to the same extent they are entitled to information regarding matters relating to the principal company.

Termination of integration

Article 510

- (1) Integration shall terminate:
 1. upon resolution of the meeting of the integrated company;
 2. if the principal or integrated company is no longer a public limited company or a private limited company with seat in the Republic of Croatia;
 3. if the principal company no longer holds all shares of the integrated company;
 4. upon dissolution of the principal company.
- (2) If the principal company no longer holds all shares of the integrated company, the principal company shall promptly advise the integrated company thereof in writing.
- (3) The previously integrated company shall promptly submit to the court of registration the application for registration of the termination of integration, the reason for this and the date thereof in the court register.
- (4) Any claim against the previous principal company arising from obligations of the previously integrated company shall be statute barred after the expiry of five years from the date on which the registration of the termination of integration in the court register shall be deemed to have been published, unless the claim against the previously

integrated company is statute barred within a shorter period of time. If the claim of the creditor becomes due only after the date on which the registration of the termination of integration in the court register shall be deemed to have been published, such period of time shall commence on the date on which such claim becomes due.

Chapter 5 COMPANIES WITH MUTUAL SHAREHOLDINGS

Limitation of rights

Article 511

- (1) If a corporation and such other company constitute companies with mutual shareholdings, rights arising from shares which are held by any such company in the other company shall not be exercised with respect to more than one quarter of all shares of such other company as from the date on which such other company has learned of the existence of such mutual shareholding or the other company has given notice to such company pursuant to Article 478 of this Act. The foregoing shall not apply to the right to new shares in the case of a share capital increase from the company's reserves.
- (2) If a company has given notice to the other company of such mutual shareholding the restriction referred to in paragraph 1 of this Article shall not apply before the company receives such notice from the other company and learns of the cross-shareholding.
- (3) Companies with mutual shareholdings shall promptly give notice to one another of the amount of such holding and any change therein.

TITLE VII MERGER BY ACQUISITION AND MERGER BY FORMATION OF A NEW COMPANY

Chapter 1 MERGER OF PUBLIC LIMITED COMPANIES BY ACQUISITION AND BY FORMATION OF A NEW COMPANY

Definitions

Article 512

- (1) One or more public limited companies (the company or companies being acquired) may merge into another public limited company without going into liquidation and by transferring to the latter company (the acquiring company) all their assets in exchange for shares in the acquiring company.
- (2) Two or more public limited companies may merge without going into liquidation and by transferring to a company that they set up all their assets in exchange for shares in the new company.
- (3) Merger by acquisition and merger by formation of a new company shall also be allowed where instead of resolving on the continuation of merging companies, it has been resolved on their dissolution.

Section 1 Merger by acquisition

Preparation for the merger by acquisition

Article 513

- (1) The management boards or the executive directors of the merging companies shall conclude an agreement on the merger by acquisition.
- (2) The agreement referred to in paragraph 1 of this Article shall specify:
1. the corporate name and seat of each of the merging companies;
 2. the agreement on the transfer of assets of each of the companies being acquired in exchange for the shares in the acquiring company;

3. the share exchange ratio and, where necessary, the amount of any payment in money;
 4. in the case of Article 520, paragraph 4, of this Act, the amount of additional monetary payments and the provision that such additional monetary payments shall be paid by the acquiring company, or the corporate name or full name of the other person who shall make such payments;
 5. the terms relating to the transfer of shares in the acquiring company;
 6. the date from which the holding of such shares entitles the holders to participate in profits and any special conditions affecting that entitlement;
 7. the date from which the transactions of the company being acquired shall be treated as being those of the acquiring company;
 8. the rights conferred by the acquiring company on each holder of shares in the company being acquired and on the holders of securities of the company being acquired;
 9. any special advantage granted to members of the merging companies' management board or executive directors or members of the merging companies' supervisory board or board of directors, or to the merger auditor.
- (3) The statement made by another person that undertakes to make additional payment in money instead of the acquiring company shall be given in the form of a notarial deed.

Report on the merger by acquisition

Article 514

- (1) The management board or the executive directors of each of the merging companies shall draw up a comprehensive written report explaining the agreement on the merger by acquisition and in particular the share exchange ratio and the amount of any payment in money from the legal and financial perspective.
- (2) The report shall also specify the criteria for the valuation of the company's assets which are the basis for the share exchange ratio and shall describe any special valuation difficulties.
- (3) The management boards or the executive directors of both companies may also draw up a joint report.
- (4) The management board or the executive directors of each of the merging companies shall inform the general meetings of their respective companies of any relevant changes in the value of assets and liabilities which occurred from the date on which the agreement on the merger by acquisition was drawn up to the date of the general meeting that is to resolve on the agreement on the merger by acquisition. Immediately upon having learned of the occurrence of such changes, the management board or the executive directors shall inform the management boards or the executive directors of the other merging companies thereof so that the latter might inform the general meetings of their respective companies of such changes.
- (5) The report referred to in paragraph 1 of this Article and the notification pursuant to paragraph 4 of this Article shall not be required if each holder of shares in each of the merging companies makes an express statement in the form of a notarial deed waiving their right to such report and notification.

Audit of the merger by acquisition

Article 515 (OG 130/23)

- (1) One or more auditors (merger auditors) shall examine the agreement on the merger by acquisition of each of the merging companies.
- (2) The merger auditors shall be selected and appointed by the court with jurisdiction pursuant to Article 40 of this Act upon motion by the supervisory board or the board of directors. Upon joint motion of the supervisory boards or the boards of directors of all the merging companies, the court may appoint the same auditors for all the merging companies.
- (3) The merger auditors shall report on the findings of the audit in writing. A joint report may also be drawn up. The report shall conclude by a statement on whether the proposed share exchange ratio has been adequately set. Their statement shall:
 1. indicate the method or methods used to arrive at the share exchange ratio proposed;
 2. reasons why the use of these methods is appropriate;

3. if several methods have been applied, indicate the values arrived at using different methods, and indicate the weight attached to different methods in arriving at the value decided on, and describe any special valuation difficulties which have arisen;

4. indicate the method used to set the amount of the monetary compensation.

The report need not contain information whose publication might cause significant damage to any of the merging companies or their affiliated companies.

(4) The statutory provisions relating to the audit shall apply to the liability of the merger auditors, their assistants and the statutory representatives of the company performing the audit.

(5) The audit of the merger by acquisition shall not be required if all holders of shares granting the right to vote of all the merging companies expressly state that they dispense with an audit of the merger by acquisition.

Examination of merger by acquisition by the supervisory board or board of directors

Article 515a

(1) The supervisory board or board of directors of each of the merging companies shall examine the proposed merger by acquisition on the basis of a report on the merger by acquisition of the management board or executive directors and the auditors' report on such merger referred to in Articles 514 and 515 of this Act. The supervisory boards or boards of directors shall prepare written reports thereon.

(2) The report referred to in paragraph 1 of this Article shall not be necessary if all holders of shares of all the merging companies give an express statement in the form of a notarial deed that they waive their right to such report.

Resolutions of general meetings

Article 516

(1) The agreement on the merger by acquisition shall be enforceable upon approval by the general meeting of each of the merging companies. The general meetings may approve the draft agreement on the merger by acquisition agreed upon by the merging companies' management boards or executive directors even before such agreement has been concluded.

(2) The resolution granting the approval referred to in paragraph 1 of this Article shall require a majority of not less than three quarters of the share capital represented at the general meeting at the passing of the resolution. The articles of association may provide for a larger capital majority and additional requirements.

(3) Where there is more than one class of shares, the resolution of the general meeting shall require the consent of each class of shareholders. The consent of each class of shareholders shall be subject to a separate resolution. The provisions of paragraph 2 of this Article shall apply.

Preparation for and conduct of the general meeting

Article 517 (OG 130/23)

(1) The agreement on the merger by acquisition shall be filed with the court of registration prior to convening the general meeting that is to resolve on its approval. The company shall announce that the agreement on the merger by acquisition has been delivered to the court register unless in the period from the convocation of the general meeting to its conclusion the agreement on the merger by acquisition is continuously available on the company's website from which it may be downloaded free of charge. The notice of the general meeting shall inform shareholders of their right referred to in paragraph 2 of this Article, as well as of the fact that the agreement on the merger by acquisition is published on the company's website and can be downloaded free of charge, if the company has made it available on its website.

(2) From the date of notice of the general meeting referred to in paragraph 1 of this Article the following shall be made available for inspection by shareholders at the company's business premises:

1. the agreement on the merger by acquisition;

2. the annual financial statements and, if the merging companies are required to prepare them, the reports on the condition of the merging companies for the preceding three financial years;

3. if the last annual financial statements relate to the financial year that ended more than six months prior to the conclusion of the agreement on the merger by acquisition, new financial statements bearing a date not more than three

months before the conclusion of the agreement, or a semi-annual report drawn up in accordance with Article 465 of the Capital Markets Act, unless each holder of shares in each of the merging companies makes an express statement in the form of a notarial deed that they waive their right to inspect such statements and reports;

4. the reports of the management boards or executive directors of the merging companies referred to in Article 514 of this Act and the reports of the supervisory boards or the boards of directors referred to in Article 515a of this Act, unless the shareholders dispensed with such reports;

5. the audit report provided for in Article 515 of this Act, if the audit had to be performed.

(3) The new financial statements provided for in paragraph 2, item 3, of this Article shall be drawn up according to the same statutory provisions as were applicable to the company's last annual financial statements. Such new financial statements shall be drawn up using the same methods and the same layout as the last annual financial statements. Items in the last annual financial statements may be taken over. In doing so, write-offs, value adjustments and any material changes in the value of assets not shown in the books shall be taken into account up to the date on which such statements were drawn up.

(4) Every shareholder shall be entitled to obtain without delay, on request and free of charge, duplicates or copies of the documents referred to in paragraph 2 of this Article. If a shareholder has agreed that the company provide them with information by electronic means, the documents referred to in paragraph 2 of this Article may be transmitted to them by e-mail.

(5) The documents referred to in paragraph 2 of this Article shall be made available for inspection at the general meeting of each of the companies. The management board or the executive directors shall orally explain and substantiate the agreement on the merger by acquisition at the start of the deliberations. The agreement on the merger by acquisition shall be attached to the minutes.

(6) The obligations of the company pursuant to paragraphs 2, 4 and 5 of this Article shall not arise if during the same period of time the documents referred to in paragraph 2 of this Article have been made available on the company's website from which shareholders may download them free of charge.

(7) In the general meeting resolving on the merger by acquisition each shareholder shall also receive, upon request, information about all matters relating to the other merging companies that are material to the merger by acquisition.

Agreement on merger by acquisition

Article 518

(1) The agreement on the merger by acquisition shall be concluded in the form of a notarial deed.

Increase in the company's share capital for the purpose of merger by acquisition

Article 519

(1) If the acquiring company increases its share capital for the purpose of implementing the merger by acquisition, the provisions of Article 304, paragraph 4, Article 306, paragraph 2, Articles 307 and 308, and Article 309, paragraph 2 and paragraph 3, item 1, of this Act shall not apply. The audit provided for in Article 305, paragraph 3, of this Act shall be performed only if the company members dispense with an audit of the merger by acquisition, or if the court has doubts as to whether the value of the contributions of assets and rights amounts to the par value of shares or to the value of the portion of the share capital allocated to no-par-value shares given in exchange therefor. This shall equally apply to cases where the company's share capital is increased by the issue of new shares on the basis of the authorisation referred to in Article 323 of this Act. In such cases Article 324, paragraph 3, of this Act shall not apply.

(2) The agreement on the merger by acquisition and the resolutions approving such agreement shall be attached, in addition to the documents referred to in Article 309, paragraph 3, items 2 to 4, of this Act, to the application for registration in the court register in original, duplicate or officially certified copy.

Application of provisions on continuation of company formation

Article 519a

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If the acquiring company has been registered in the court register for less than two years, the provisions of Article 194a, paragraphs 3 and 4, of this Act shall apply accordingly to the merger by acquisition.

Implementation of merger by acquisition

Article 520 (OG 130/23)

(1) The acquiring company shall not increase its share capital in order to implement the merger by acquisition if:

1. it holds shares in the company being acquired;
2. the company being acquired holds own shares;
3. the company being acquired holds shares in the acquiring company that have not but should have been fully paid up.

(2) The acquiring company need not increase the share capital if:

1. it holds own shares;
2. the company being acquired holds shares in the acquiring company that have been fully paid up;
3. all the shares of all merging companies are held by the same person or the same persons hold shares in the same proportion in all merging companies, unless this would be contrary to the rules on prohibition of repayments (Article 217) and prohibition of releasing from payment obligations (Article 216).

(3) The holding of shares by a third party in the name of the company shall be deemed equivalent to the holding of shares by the company.

(4) If the share exchange ratio between shares in the company being acquired and shares in the acquiring company is such that it does not enable that one or more shares in the company being acquired be exchanged for a whole number of shares in the acquiring company, the acquiring company or another person shall compensate the shareholders of the company being acquired that do not hold the adequate number of shares in the company being acquired by additional payments in money. The total amount of additional payments in money shall not exceed one tenth of the total par value of the acquiring company's exchanged shares or the share capital allocated to the exchanged no-par-value shares.

Application for registration of the merger by acquisition in the court register

Article 521

(1) Each company shall submit to the court of registration the application for registration of the merger by acquisition in the court register. The acquiring company shall be authorised to submit the application for registration of the merger by acquisition also in the court register in which the company being acquired is registered.

(2) When submitting the application for registration, the management board or the executive directors shall declare that the resolutions on the merger by acquisition were not challenged within the prescribed period or that an action to challenge was dismissed in a final decision. The agreement on the merger by acquisition, the minutes of the general meetings at which the resolutions on the merger by acquisition have been passed, the management boards' reports on the merger by acquisition referred to in Article 514 of this Act, the auditors' reports referred to in Article 515 of this Act, the reports of the supervisory boards or boards of directors referred to in Article 515a of this Act, statements of persons referred to in Article 513, paragraph 3, of this Act if pursuant to Article 531 of this Act the general meeting of the acquiring company has not been held, the statement of the acquiring company's management board that the shareholders who are entitled thereto have not requested the holding of the general meeting, and where approval by a national authority is required, such approval, shall be attached to the application in original, duplicate or officially certified copy.

(3) The final annual financial statements of each of the companies being acquired shall also be attached to the application for registration in the court register of the seat of each such company. The statutory provisions on the drawing up of the annual financial statements and on the audit of such statements shall apply accordingly to such statements. Such statements need not be published.

Registration of merger by acquisition

Article 522 (OG 34/22)

- (1) The merger by acquisition shall not be registered in the court register in which the acquiring company is registered prior to the registration of the merger by acquisition in the court register in which the company being acquired is registered. If the acquiring company's share capital has been increased for the purpose of implementing the merger by acquisition, such merger shall not be registered in the court register prior to registration of the share capital increase in the said register. Together with the registration of the merger by acquisition in the court register of each of the companies being acquired, a note shall be made stating that such merger by acquisition shall become effective only upon its registration in the court register of the seat of the acquiring company.
- (2) Each of the companies being acquired shall appoint a trustee in charge of receiving shares to be exchanged and additional payments in money. A merger by acquisition shall be registered in the court register only after the trustee declares in the form of a notarial deed that the shares are in their possession and that they have received the additional payments in money. The statement of the trustee shall be attached to the application for registration of the merger by acquisition in the court register.
- (3) Upon registration of the merger by acquisition in the court register in which the acquiring company is registered, the acquired company's assets and liabilities shall be transferred to the acquiring company. The acquiring company shall be the universal legal successor of the acquired company and shall thus enter into all legal relationships of the acquired company. If obligations arising from mutually binding contracts which until the merger by acquisition neither party had fully discharged, which obligations are mutually incompatible or whose discharge would be especially unfair for the acquiring company, are thereby transferred to the acquiring company, the scope of such obligations shall be justly determined by taking into account the contractual rights of all parties. If a motion to institute bankruptcy proceedings against the acquired company is yet to be decided on at the moment of registering the merger by acquisition in the court register in which the acquiring company is registered, this decision shall be issued in respect of the acquiring company. If at the moment of registering the merger by acquisition in the court register in which the acquiring company is registered pre-bankruptcy proceedings are instituted against the acquired company in accordance with the provisions of the act regulating bankruptcy and other related proceedings, the pre-bankruptcy proceedings shall be transferred to the acquiring company.
- (4) Upon registration of the merger by acquisition in the court register in which the acquiring company is registered, the acquired companies shall cease to exist. It shall not be necessary to delete them from the court register. Upon registration of the merger by acquisition, the shareholders of the acquired companies shall become the shareholders of the acquiring company. This shall not be the case if the acquiring company or a third party acting in their own name but in the name of that company holds shares in the acquired company or if the acquired company holds own shares or if such shares are held by a third party acting in their own name but in the name of that company.
- (5) Upon registration of the merger by acquisition in the court register, any defect relating to the agreement on the merger by acquisition not having been concluded in the form of a notarial deed shall be remedied.
- (6) The court keeping the court register in which the acquiring company is registered shall inform ex officio the courts keeping the register in which each of the acquired companies is registered of the date of registration of the merger by acquisition. Upon receipt of such notification, the courts with jurisdiction over the seats of each of the acquired companies shall note ex officio in the court register the date of registration of the merger by acquisition in the register of the court with jurisdiction over the seat of the acquiring company and deliver to the latter court all company documents in its possession. If the company being acquired and the acquiring company are registered with the same court, such court shall make the said note ex officio in the entry of the company being acquired.
- (7) The provisions on the cancellation of share certificates by redemption procedure contained in Article 230 of this Act and on their cancellation in connection with their consolidation contained in Article 346 of this Act shall apply accordingly to the exchange of shares of the acquired companies. Such exchange of shares shall not require court approval.

Protection of creditors

Article 523

- (1) Creditors of the merging companies shall be provided with security insofar as they may not request satisfaction, provided that they have filed a request for this purpose within six months of the publication of the registration of the

merger by acquisition in the court register in which the company whose creditors they are is registered. Such right shall be vested with the acquiring company's creditors only insofar as they are able to demonstrate that due to the merger by acquisition the satisfaction of their claims is at stake. On publication of registration the creditors shall be advised of such right.

(2) Creditors who in the case of bankruptcy have a preferential right to satisfaction from the bankruptcy estate shall not have the right to request security.

(3) The claim of the creditor not provided adequate security by the acquiring company shall be ruled on in non-contentious civil proceedings by the court referred to in Article 40 of this Act with jurisdiction over the seat of the acquiring company.

Protection of holders of special rights

Article 524

The acquiring company shall grant to the holders of convertible bonds, bonds with variable interest and certificates of special dividend rights issued by the acquired companies the same rights as those granted to them by the acquired companies.

Acquiring company's initial value

Article 525

(1) The values shown in the statement of the acquired company's financial position shall be shown in the statement of the acquiring company's financial position in accordance with the relevant accounting provisions.

(2) If the acquiring company increases its share capital for the purpose of implementing the merger by acquisition and if the total par value of shares, or the portion of the share capital allocated to no-par-value shares, which shares have been issued in exchange for the transferred assets of the acquired company, or a greater value for which the shares have been issued, including payments in money, exceeds the value of the assets individually shown in the statement of the financial position, such difference shall be shown as intangible assets.

Liability for damages of members of the acquired company's bodies

Article 526

(1) Members of the acquired company's management board or executive directors and members of the acquired company's supervisory board or board of directors shall be jointly and severally liable to that company, its shareholders and creditors for the damage resulting from the merger by acquisition. Those members of such bodies who when auditing the company's asset position and concluding the agreement on the merger by acquisition employed due care shall not be liable for damages.

(2) With respect to the claims asserted pursuant to paragraph 1 of this Article and all other claims asserted in the name of or against the acquired company, it shall be deemed that such company still exists. To such extent the claims and obligations shall not be consolidated as a result of the merger by acquisition.

(3) Claims asserted under the provisions of paragraphs 1 and 2 of this Article shall be statute barred after the expiry of a period of five years from the date of the publication of the registration of the merger by acquisition in the court register of the court with jurisdiction over the seat of the acquiring company.

Exercising the right to compensation

Article 527

(1) The claims referred to in Article 526, paragraphs 1 and 2, of this Act shall be enforced only through a special representative appointed upon motion by the shareholders or creditors of the acquired company by the court with jurisdiction over the seat of this company. Such motion may be filed only by those shareholders that have already exchanged their shares for the acquiring company's shares and those creditors that cannot obtain satisfaction from the company.

(2) The representative shall, after indicating the purpose of their appointment, call on the shareholders and creditors of the acquired company to file their claims pursuant to Article 526, paragraphs 1 and 2, of this Act within the appropriate

time limit which shall in no event be shorter than one month. Such call shall be published in the company's official journal.

(3) The representative shall use the amount obtained as a result of enforcement of the claim against the acquired company to satisfy the acquired company's creditors provided they have not already been satisfied or granted security by the acquiring company. Any remaining amount shall be distributed among shareholders. The provisions of Article 380 of this Act shall apply to such distribution. The creditors and shareholders that fail to file their claims in due time shall not be included in such distribution.

(4) The special representative shall be entitled to reimbursement of reasonable costs and to remuneration for their services. The court shall use discretion in determining the reimbursement and remuneration by taking into consideration all the circumstances of each individual case and shall determine the proportion in which such reimbursement and remuneration are to be borne by the creditors and the shareholders concerned. Enforcement may be sought on the basis of a final court decision.

Liability for damages of members of acquiring company's bodies

Article 528

The statute of limitations for claims for damages in connection with the merger by acquisition asserted against the members of the acquiring company's management board or executive directors and the members of the acquiring company's supervisory board or board of directors pursuant to the provisions of Articles 252, 272, 273, 494, 495, 501 and 502 of this Act shall begin to run from the date deemed the date of the publication of the registration of the merger by acquisition in the court register in which the acquiring company is registered.

Nullity of resolution on merger by acquisition

Article 529

An action to challenge or nullify the resolution of the general meeting on the merger by acquisition may not be filed more than 30 days after the passing of the resolution.

Effect of merger by acquisition

Article 530 (OG 130/23)

(1) If the merger by acquisition has been registered in the court register of the seat of the acquiring company, any defect in the merger by acquisition procedure shall not affect the legal consequences of such procedure referred to in Article 522, paragraphs 3 and 4, of this Act.

(2) After the legal consequences of the merger by acquisition have taken effect, a person who due to the provision of Article 529 may no longer challenge the resolution of the general meeting on the merger by acquisition or request its nullification may assert a claim for damages. Such claim shall always be asserted against the acquiring company.

Special instances of merger by acquisition

Article 531

(1) If the acquiring company holds shares representing at least nine tenths of the acquired company's share capital, the merger by acquisition shall not require the approval of the acquiring company's general meeting, unless the acquiring company's shareholders, whose aggregate holdings amount to at least one twentieth of the share capital, request that the general meeting that is to resolve on the granting of approval of the merger by acquisition be called. In the announcement referred to in Article 517, paragraph 1, of this Act, shareholders shall be advised of such right. If no request for the holding of the general meeting has been made, the acquiring company's management board or executive directors shall ensure that at least one month before the holding of the acquired company's general meeting that is to resolve on the granting of consent to the agreement on the merger by acquisition the shareholders are able to exercise the rights referred to in Article 517, paragraph 2, of this Act.

(2) If all shares of the company being acquired are held by the acquiring company, information on the exchange of shares referred to in Article 513, paragraph 2, items 3 and 4, the reports referred to in Articles 514 and 515a of this Act and the audit of the merger by acquisition referred to in Article 515 of this Act shall not be required if they relate only

to the merger by acquisition of that company. In such case, the provision of Article 526 of this Act shall not apply. The provisions of the previous paragraph of this Article shall apply accordingly.

Judicial examination of the share exchange ratio, additional payment in money and monetary compensation

Article 532 (OG 130/23)

(1) The resolution of the general meeting on approving the agreement on the merger by acquisition shall not be challenged on the grounds that the share exchange ratio or the additional payments in money referred to in Article 520, paragraph 4, of this Act, have been inadequately set or that adequate information about the share exchange ratio or the additional payments in money has not been provided. If the share exchange ratio has been inadequately set, the court may, upon motion, decide that additional payments not exceeding one tenth of the total par value of the exchanged shares or of the share capital allocated to exchanged no-par-value shares be made.

(2) Such motion may be made by any shareholder of the company that under Article 362, items 1 and 2, of this Act would be entitled to file an action to challenge the resolution on the merger by acquisition but whose right to do so has been precluded by the first sentence of paragraph 1 of this Article. It may be made within one month of the date deemed the date of publication of the registration of the merger by acquisition in the court register of the court with jurisdiction over the acquiring company's seat. The shareholders who did not make the motion shall not derive any rights from the court's decision. The court shall announce that the motion for additional payments due to a share exchange ratio set too low has been made. The shareholders entitled thereto may make such motion within one month of the announcement that the motion has been made. In the announcement they shall be advised of such right.

(3) The shareholders may renounce their right to the making of the motion for additional payments by making a statement in the minutes at the meeting resolving on the merger by acquisition or by making a statement in the form of a notarial deed.

(4) The company's shareholders whose motion for additional payment in money is granted shall also be entitled to interest which shall accrue from the occurrence of the legal consequences of the merger by acquisition following its registration in the acquiring company's court register at the rate of five percentage points over the statutory default interest rate applicable as at the date of occurrence of the legal consequences of the merger by acquisition upon its registration in the acquiring company's court register.

(5) Upon motion by the acquiring company, the court may allow that the company's shareholders that made the motion instead of additional payments in money be given additional shares in the acquiring company. For such purpose, the acquiring company shall primarily use own shares, if it has such shares. If the acquiring company has no or not enough own shares, it may issue new shares by way of a share capital increase against which no contributions shall be paid. The share capital shall be increased only if according to the last financial statements which shall not be drawn up more than eight months prior to the date on which the resolution on the share capital increase has been passed the amount of available reserves which may be used for such purpose is at least equal to the total amount for which the new shares are issued, or if the total amount of the share capital after the increase and of the reserves, which the company shall have but which it may not use in order to increase its share capital, is equal or less than the total value of the company's assets less liabilities.

(6) When deciding on the motion, the court may request the opinion of an expert. On the basis of the opinion of the expert, the participants in the proceedings may reach a settlement on the amount of additional payments in money or on the number of the newly issued shares in the acquiring company that will be issued to the shareholders of the acquired company.

(7) The decision of the court that decided on the motion may be appealed against within one month. Such appeal may be made by the acquiring company and by each shareholder that made the motion, and if the court decided that instead of additional payments in money the acquiring company may issue new shares, then also by the shareholders of the acquiring company whose rights have as a result thereof been decreased.

(8) The costs of proceedings shall be advanced by the acquiring company. Each party shall, however, advance the costs of its representatives in the proceedings. If the court determines that the share exchange ratio has been set too low and sets a new share exchange ratio, it shall order the acquiring company to reimburse the other participants in the proceedings for the costs of proceedings.

(9) The provisions of paragraphs 2 to 8 of this Article shall apply accordingly to the judicial examination of the amount of additional payments in money.

Section 2 Merger by formation of a new company

Article 533 (OG 136/24)

(1) The provisions of Articles 513 to 518, Article 520, paragraph 4, Article 521, paragraphs 2 and 3, Article 522, paragraph 2 and paragraphs 5 to 7, Articles 523 to 527, and Articles 529, 530 and 532 of this Act shall apply accordingly to merger of public limited companies by formation of a new public limited company. Each of the merging companies shall be deemed company being acquired and the new company shall be deemed acquiring company.

(2) A resolution on a merger by formation of a new company shall be passed only after each of the merging companies have been registered in the court register for at least two years.

(3) For the adoption of the articles of association of the new company and the election of members of the new company's supervisory board or board of directors, the approval of the general meetings of the merging companies shall be required. The provisions of Article 280, paragraphs 2, 3 and 4, and Article 516, paragraphs 2 and 3, of this Act shall apply accordingly.

(4) The provisions of Article 6, Article 173, paragraphs 3 and 4, Article 178, paragraph 1, Article 180, paragraphs 1 and 4, and Article 189 of this Act shall apply accordingly to the formation of a new company. If the shareholders dispense with an audit of the merger by acquisition, Article 182, paragraph 2, of this Act shall also apply accordingly. The stipulations contained in the merging companies' articles of association relating to special advantages, formation costs, contributions and acquisition of assets and rights shall be included in the new company's articles of association.

(5) The merging companies shall submit an application for registration in the court register of the new company to the court that is to have jurisdiction over the new company's seat. Upon registration of the new company in the court register the merging companies' assets and liabilities shall be transferred to the new company. If obligations arising from mutually binding contracts which until the merger by formation of a new company neither of the merging companies had fully discharged, which obligations are mutually incompatible or whose discharge would be especially unfair for the acquiring company, are thereby transferred to the new company, the scope of such obligations shall be justly determined by taking into account the contractual rights of all parties.

(6) Upon registration of the new company in the court register, merging companies shall cease to exist. No special deletion of the merging companies from the court register shall be required. Upon registration in the court register, the shareholders of the merging companies shall become the shareholders of the new company. This shall not apply where one of the merging companies holds own shares or where a third party holds such shares in their own name but in the name of this company.

(7) The publication of the registration of the new company shall, in addition to the contents of the registration, contain the following:

1. stipulations that the shareholder may request that bearer shares be exchanged for registered shares if the company's articles of association provide for such right and the stipulations contained in Article 173, paragraph 3, items 5, 6 and 7, Article 174, paragraph 2, and Article 175 of this Act;
2. the full names, personal identification numbers and domiciles of the members of the first supervisory board or board of directors;
3. the provisions of the agreement on the merger by formation of a new company relating to the number of shares, if more than one class of shares exists, the class of shares issued by the new company to the shareholders of the merging companies, and the manner and date of issue of such shares.

At the same time, it shall be published that all documents delivered to the court together with the application for registration may be inspected at the court.

(8) The new company shall submit applications for registration of the merger by formation of a new company in the court registers of each of the merging companies. The merger by formation of a new company shall not be registered prior to the registration of the new company.

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(9) If the new company has been registered in the court register, the validity of the merger by formation of a new company shall not be affected by any defect in the procedure of such merger.

Chapter 2 MERGER BY ACQUISITION OF A PUBLIC LIMITED COMPANY INTO A PRIVATE LIMITED COMPANY

Article 534 (OG 130/23)

- (1) One or more public limited companies may merge into a private limited company by transferring their entire assets to this company in exchange for the acquisition of shares in the private limited company.
- (2) Unless paragraphs 3 and 4 of this Article provide otherwise, the provisions of Articles 529, 530, 532, Article 535, paragraph 2, and Articles 536 to 545 of this Act shall apply accordingly. The provisions relating to the members of the private limited company's management board and the members of the private limited company into which the public limited company is to be merged shall apply to the management board or executive directors and the general meeting of the public limited company. The list of company members attached to the application for registration in the court register shall include unknown shareholders holding shares in the private limited company and the numbers of their respective share certificates. The final annual financial statements of the merging company need not be published.
- (3) The provisions of Article 516, paragraph 2, Article 517, paragraph 2, item 1, and paragraphs 4 to 6, Article 549, paragraph 2, Article 557, paragraphs 2 and 3, Article 559, Article 561, item 4, and Article 562 of this Act shall apply accordingly to the meeting's resolution on the merger by acquisition, the duty of the private limited company's management board to publish the names of the members of the supervisory board or board of directors, the exchange of shares, and the rights of shareholders that oppose the merger by acquisition.
- (4) The members of the public limited company's management board or executive directors and the members of the public limited company's supervisory board or board of directors shall be jointly and severally liable to the company, its shareholders and creditors for any damage resulting from the merger by acquisition. Those members of such bodies who when auditing the company's asset position and concluding the agreement on the merger by acquisition employed due care shall not be liable for damages.

Chapter 3 MERGER BY ACQUISITION AND MERGER BY FORMATION OF A NEW COMPANY IN THE CASE OF PRIVATE LIMITED COMPANIES

Definitions

Article 535

- (1) One or more private limited companies may merge into another private limited company without going into liquidation by transferring all their assets (companies being acquired) to another company (acquiring company) in exchange for shares in that company.
- (2) Two or more private limited companies may merge without going into liquidation by setting up a new private limited company to which all the assets of each of the merging companies is transferred in exchange for shares in the new company.
- (3) Merger by acquisition and merger by formation of a new company shall also be allowed where instead of resolving on the continuation of the companies being acquired or any of the merging companies, it has been resolved on their dissolution.

Section 1 Merger by acquisition

Resolution of the members of each of the companies

Article 536 (OG 130/23)

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- (1) An agreement on the merger by acquisition shall be valid if the members of each of the merging companies consent to it. The meetings may approve the draft agreement on the merger by acquisition agreed upon by the companies' management boards even before such agreement has been concluded.
- (2) Such resolution shall require a majority of not less than three quarters of the votes cast. The memorandum of association shall not provide for a smaller majority. If the shares in the acquiring company have not been fully paid up, all members of the acquired company that are present shall vote for such resolution. The members who were not present when the resolution was passed shall also consent to such resolution.
- (3) The resolution shall be passed in the form of a notarial deed. The agreement on the merger by acquisition shall be attached to it.
- (4) Upon request, each company member shall be immediately provided with a copy or photocopy of the resolution and the agreement on the merger by acquisition.
- (5) The management board shall inform each company member, upon request, on the circumstances material to the merger by acquisition.

Agreement on merger by acquisition

Article 537

- (1) The agreement on the merger by acquisition shall be concluded by each of the merging companies' management boards. It shall be concluded in the form of a notarial deed.
- (2) The agreement referred to in paragraph 1 of this Article shall determine the par value of each share in the acquiring company to be issued to a member of the acquired company.
- (3) If the shares that are to be issued under the terms of the previous paragraph of this Article are acquired through a share capital increase and if the granted rights and duties differ from the existing shares in the acquiring company, such deviations shall be provided for in the agreement on the merger by acquisition.
- (4) The agreement on the merger by acquisition shall in particular determine the acquired company's members and the par values of the shares already existing in the acquiring company that are to be issued to the acquired company's members.

Increase in the company's share capital for the purpose of merger by acquisition

Article 538

- (1) If the acquiring company increases its share capital for the purpose of implementing the merger by acquisition, the provisions of Article 457, paragraph 5, and Article 458, paragraph 2, item 1, as well as the one on the provision of proof of payment contained in paragraph 2, item 2, of the same Article of this Act, shall not apply.
- (2) The agreement on the merger by acquisition and the minutes containing the resolutions on the merger by acquisition in original, duplicate or officially certified copy shall be attached to the application consisting of the documents referred to in Article 458, paragraph 2, items 2 and 3, of this Act that is submitted to the court for the purpose of making the registration in the court register.

Application of provisions on continuation of company formation

Article 538a

If the acquiring company has been registered in the court register for less than two years, the provisions of Article 441, paragraph 1, item 10, of this Act shall apply accordingly to the merger by acquisition.

Implementation of merger by acquisition

Article 539 (OG 130/23)

- (1) The acquiring company shall not increase its share capital in order to implement the merger by acquisition if:
 1. it holds shares in the company to be acquired;

2. the company being acquired holds own shares;
3. the company being acquired holds shares in the acquiring company that have not but should have been fully paid.

(2) The acquiring company need not increase the share capital if:

1. it holds own shares;
2. the company being acquired holds shares in the acquiring company that have been fully paid;
3. all the shares of all merging companies are held by the same person or the same persons hold shares in the same proportion in all merging companies, unless this would be contrary to the rules on prohibition of repayments (Article 406, paragraph 1) and prohibition of releasing from payment obligations (Article 398, paragraph 3).

(3) The holding of shares by a third party in the name of the company shall be deemed equivalent to the holding of shares by the company.

(4) If the acquiring company makes additional payments in money, such payments shall not exceed one tenth of the total par value of the shares in this company so issued.

Application for registration of the merger by acquisition in the court register

Article 540

(1) Each company shall submit to the court of registration an application for registration of the merger by acquisition in the court register in which it is registered.

(2) When submitting the application, the members of the management board shall declare that the resolution on the merger by acquisition was not challenged within the prescribed period or that an action to challenge was dismissed in a final decision. In the event of Article 536, paragraph 2, third sentence, of this Act, the members of the acquired company's management board shall declare that all company members have consented to the resolution on the merger by acquisition. The agreement on the merger by acquisition, the minutes containing the resolutions on the merger by acquisition, and where approval by a national authority is required, such approval, shall be attached to the application in original, duplicate or officially certified copy.

(3) The acquired company's final financial statements shall also be attached to the application for registration in the court register in which the acquired company is registered. The statutory provisions on the annual financial statements and their audit shall apply accordingly to such statements. Such statements need not be published.

(4) A list of company members signed by the members of the management board shall also be attached to the application for registration in the court register in which the acquiring company is registered.

Registration of merger by acquisition

Article 541 (OG 34/22)

(1) The merger by acquisition shall not be registered in the court register in which the acquiring company is registered prior to the registration of the merger by acquisition in the court register in which the company being acquired is registered. If the acquiring company's share capital has been increased for the purpose of implementing the merger by acquisition, such merger shall not be registered in the court register prior to registration of the share capital increase in the said register.

(2) Upon registration of the merger by acquisition in the court register of the court having jurisdiction over the acquiring company's seat, the acquired company's assets and liabilities shall be transferred to the acquiring company. The acquiring company shall be the universal legal successor of the acquired company. If a motion to institute bankruptcy proceedings against the acquired company is yet to be decided on at the moment of registering the merger by acquisition in the court register in which the acquiring company is registered, this decision shall be issued in respect of the acquiring company. If at the moment of registering the merger by acquisition in the court register in which the acquiring company is registered pre-bankruptcy proceedings are instituted against the acquired company in accordance with the provisions of the act regulating bankruptcy and other related proceedings, the pre-bankruptcy proceedings shall be transferred to the acquiring company. If obligations arising from mutually binding contracts which until the merger by acquisition neither party had fully discharged, which obligations are mutually incompatible or whose discharge

would be especially unfair for the acquiring company, are thereby transferred to the acquiring company, the scope of such obligations shall be justly determined by taking into account the contractual rights of all parties.

(3) The acquired company shall cease to exist on the date of registration of the merger by acquisition in the court register in which such company is registered. It shall not be necessary struck off the court register. Upon registration of the merger by acquisition, the members of the acquired company shall become the members of the acquiring company.

(4) Upon registration of the merger by acquisition in the court register, any defect relating to the agreement on the merger by acquisition not having been concluded in the form of a notarial deed shall be remedied.

(5) The court keeping the court register in which the acquiring company is registered shall inform ex officio the court keeping the register in which the acquired company is registered of the date of registration of the merger by acquisition. Upon receipt of such notification, the court with jurisdiction over the seat of the acquired company shall note ex officio in the court register the date of registration of the merger by acquisition in the register of the court with jurisdiction over the seat of the acquiring company and deliver to the latter court all company documents in its possession.

Protection of creditors

Article 542

(1) Creditors of the merging companies shall be provided with security insofar as they may not request satisfaction, provided that they have filed a request for this purpose within six months of the publication of the registration of the merger by acquisition in the court register in which the company whose creditors they are is registered. Such right shall be vested with the acquiring company's creditors only insofar as they are able to demonstrate that due to the merger by acquisition the satisfaction of their claims is at stake. On the publication of registration, the creditors shall be advised of such right.

(2) Creditors who in the case of bankruptcy have a preferential right to satisfaction from the bankruptcy estate shall not have the right to request security.

Acquiring company's initial value

Article 543

(1) The values shown in the statement of the acquired company's financial position shall be shown in the statement of the acquiring company's financial position in accordance with the relevant accounting provisions.

(2) If the acquiring company increases its share capital for the purpose of implementing the merger by acquisition and if the total par value of the shares issued to the members of the acquired company in exchange for the transferred assets of this company, or a greater value for which the shares have been issued, including payments in money, exceeds the value of the assets individually shown in the statement of the financial position, such difference shall be shown as intangible assets.

Liability for damages of members of the acquired company's bodies

Article 544

(1) The members of the acquired company's management board and, if it exists, of the supervisory board shall be jointly and severally liable to the company, its members and creditors for any damage caused to them. Those members of the management board or the supervisory board who when auditing the company's asset position and concluding the agreement on the merger by acquisition employed due care shall not be liable for damages.

(2) With respect to the claims asserted pursuant to paragraph 1 of this Article and all other claims asserted in the name of or against the acquired company, it shall be deemed that such company still exists. To such extent the claims and obligations shall not be consolidated as a result of the merger by acquisition.

(3) Claims asserted under the provisions of paragraphs 1 and 2 of this Article shall be statute barred after the expiry of a period of five years from the date of the publication of the registration of the merger by acquisition in the court register in which the acquired company is registered.

Exercising the right to compensation

Article 545 (OG 110/15)

- (1) The claims referred to in Article 544, paragraphs 1 and 2 of this Act shall be enforced only through a special representative appointed upon motion by a member or creditor of the acquired company by the court. Such motion may be filed only by those shareholders that cannot request satisfaction from the acquiring company.
- (2) The representative shall, upon indicating the purpose of their appointment, call on the members and creditors of the acquired company to file their claims pursuant to Article 542, paragraphs 1 and 2, of this Act within the appropriate time limit which shall in no event be shorter than one month. The call shall be delivered to the court of registration to be published on the website of the court register, and in the company's official journal, should the company have one.
- (3) The representative shall use the amount obtained as a result of enforcement of the claim against the acquired company to satisfy the acquired company's creditors provided they have not already been satisfied or granted security by the acquiring company. Any remaining amount shall be distributed among company members. The provisions of Article 380 of this Act shall apply accordingly to such distribution. The creditors and company members that fail to file their claims in due time shall not be included in such distribution.
- (4) The special representative shall be entitled to reimbursement of reasonable costs and to remuneration for their services. The court shall use discretion in determining the reimbursement and remuneration by taking into consideration all the circumstances of each individual case and shall determine the proportion in which such reimbursement and remuneration are to be borne by the company members and creditors concerned. Enforcement may be sought on the basis of a final court decision.

Validity and effect of merger by acquisition

Article 546 (OG 130/23)

- (1) An action to challenge or nullify the resolution of the meeting on the merger by acquisition may not be filed more than 30 days after the passing of the resolution.
- (2) If the merger by acquisition has been registered in the court register of the seat of the acquiring company, any defect in the merger by acquisition procedure shall not affect the legal consequences of such procedure referred to in Article 541, paragraphs 2 and 3, of this Act.
- (3) After the legal consequences of the merger by acquisition have taken effect, a person who due to the provision of paragraph 1 of this Article may no longer challenge the resolution of the meeting on the merger by acquisition or request its nullification may assert a claim for damages. Such claim shall always be asserted against the acquiring company.

Judicial examination of the share exchange ratio and additional payments in money

Article 547 (OG 130/23)

- (1) The resolution of the meeting on approving the agreement on the merger by acquisition shall not be challenged on the grounds that the share exchange ratio or the additional payments in money referred to in Article 539, paragraph 4, of this Act, have been inadequately set or that adequate information about the share exchange ratio or the additional payments in money has not been provided. If the share exchange ratio has been inadequately set too low, the court may, upon motion, decide that additional payments not exceeding one tenth of the total par value of the exchanged shares be made.
- (2) Such motion may be made by any member of the acquired company that would be entitled to file an action to challenge the resolution but whose right to do so has been precluded by the first sentence of the previous paragraph of this Article. It may be made within one month of the date deemed the date of publication of the registration of the merger by acquisition in the court register in which the acquired company is registered. The company members who did not make the motion shall not derive any rights from the court's decision. The court shall announce that the motion for additional payments due to a share exchange ratio set too low has been made. The members entitled thereto may make such motion within one month of the announcement that the motion has been made. In the announcement they shall be advised of such right. The provisions of Article 532, paragraphs 3 to 9, of this Act shall apply accordingly.

Section 2 Merger by formation of a new company

Article 548 (OG 130/23)

- (1) The provisions of Article 536, Article 537, paragraphs 1 and 2, Article 540, Article 541, paragraphs 4 and 5, and Articles 542 to 546 of this Act shall apply accordingly to the merger of private limited companies by formation of a new company. Each of the merging company shall be deemed a company being acquired and the new company shall be deemed the acquiring company.
- (2) The new company's memorandum of association shall be valid only after a resolution approving it is passed by the members of each of the merging companies. The first and second sentence of paragraph 2 as well as paragraphs 3 and 4 of Article 536 of this Act shall apply accordingly thereto. Likewise, these statutory provisions shall apply accordingly to the appointment of members of the new company's supervisory board who are to be appointed by the members of the merging companies.
- (3) The provisions of Article 6, Article 387, paragraph 1, and Article 395 of this Act shall apply accordingly to the formation of a new company. The stipulations contained in the merging companies' memorandum of association relating to special advantages, formation costs and share payments consisting of assets and rights shall be included in the new company's memorandum of association.
- (4) The merging companies shall submit an application for registration in the court register of the new company to the court that is to have jurisdiction over the new company's seat. Upon registration of the new company in the court register the merging companies' assets and liabilities shall be transferred to the new company. If obligations arising from mutually binding contracts which until the merger by formation of a new company neither party had fully discharged, which obligations are mutually incompatible or whose discharge would be especially unfair for the new company, are thereby transferred to the new company, the scope of such obligations shall be justly determined by taking into account the contractual rights of all parties.
- (5) Upon registration of the new company in the court register the merging companies shall cease to exist. No special deletion of the merged companies from the court register shall be required. Upon registration of the merger by formation of a new company, the merging companies' members shall become the members of the new company.
- (6) The publication of the new company's registration shall, in addition to the contents of the registration, contain the following:
1. the full names, personal identification numbers and domiciles of the members of the first supervisory board if the memorandum of association provides for such board or the law requires the company to have such board;
 2. the provisions of the memorandum of association on the manner in which the company is to publish its announcements.
- (7) The new company shall submit an application for registration in the appropriate court registers of the merger by formation of a new company. Such merger shall be registered in the registers of these companies only upon registration of the new company in the court register.

Chapter 4 MERGER BY ACQUISITION OF A PRIVATE LIMITED COMPANY INTO A PUBLIC LIMITED COMPANY

Article 549

- (1) One or more private limited companies may without going into liquidation merge into a public limited company by transferring their entire assets to the public limited company in exchange for the shares in the public limited company.
- (2) Unless the second and third sentence of this paragraph and paragraphs 3 and 4 of this Article provide otherwise, the provisions of Article 512, paragraph 3, Articles 513 to 524, and Articles 526 to 532 of this Act shall apply accordingly to the merger by acquisition. In the case of private limited companies, registration of the agreement on the merger by acquisition in the court register (Article 517, paragraph 1) and the availability of documents for inspection (Article 517, paragraph 2) shall not be required. An auditor of the merger by acquisition (Article 515) shall be appointed only upon request of a member of the private limited company. The provisions relating to the public limited company's management board or executive directors and general meeting shall apply accordingly to the private limited company's management board and meeting.

(3) The resolution of the private limited company's meeting on the merger by acquisition shall require a majority of not less than three quarters of the votes cast. The memorandum of association may provide for a larger majority or additional requirements. Such resolution shall be taken in the form of a notarial deed.

(4) The resolution on the merger by acquisition shall be passed only if the joint stock company has been registered in the court register for not less than two years.

(5) The members of the private limited company's management board and the supervisory board, if the company has such board, shall be jointly and severally liable to the company, its members and creditors for any damage resulting from the merger by acquisition. Those members of such bodies who when auditing the company's asset position and concluding the agreement on the merger by acquisition employed the due care of a prudent member of the management board shall be exempt from liability. The provisions of Article 526, paragraphs 2 and 3, and Article 527 of this Act shall apply accordingly.

(6) The provisions of Article 567, Article 569, item 4, and Article 570 of this Act shall apply accordingly to the merger by acquisition.

Chapter 4a CROSS-BORDER MERGERS BY ACQUISITION AND MERGERS BY FORMATION OF A NEW COMPANY

Definition of cross-border merger by acquisition and merger by formation of a new company

Article 549a (OG 130/23)

(1) For the purposes of this Act, a cross-border merger by acquisition means a merger by acquisition involving at least one company (company being acquired or acquiring company) that has been validly formed in accordance with the law of the Republic of Croatia, and at least one company taking part in the merger by acquisition is a corporation within the meaning of Annex II to Directive (EU) 2017/1132 that has been validly formed in accordance with the law of another European Union Member State or a country party to the European Economic Area Agreement.

(2) For the purposes of this Act, a cross-border merger by formation of a new company means a merger by formation of a new company involving at least one public limited or private limited company that has been validly formed in accordance with the law of the Republic of Croatia, and at least one company taking part in the merger by formation of a new company is a corporation within the meaning of Annex II to Directive (EU) 2017/1132 that has been validly formed in accordance with the law of another European Union Member State or a country party to the European Economic Area Agreement. The provisions of this Chapter on cross-border mergers by acquisition shall apply accordingly to cross-border mergers by formation of a new company.

(3) The provisions of this Act relating to cross-border mergers by acquisition and mergers by formation of a new company shall not apply to mergers by acquisition and mergers by formation of a new company involving:

- cooperatives, even those meeting the conditions of Article 119, paragraph 1, of Directive (EU) 2017/1132 under the law of another country,
- companies in liquidation that have begun to distribute their assets to their members,
- companies subject to bankruptcy or pre-bankruptcy proceedings, or to an extraordinary administration procedure in companies of systemic importance for the Republic of Croatia, or companies subject to corresponding proceedings in other Member States,
- companies subject to resolution tools, powers or mechanisms provided for in the Act on Resolution of Credit Institutions and Investment Firms, or companies subject to the relevant tools, powers or mechanisms of other Member States,
- companies aimed at collective investing of capital raised from the public, operating on the principle of risk-spreading, and whose shares are, at the request of their holders, repurchased or redeemed, directly or indirectly, out of that company's assets, which also includes actions performed by those companies to ensure that the stock exchange value of their shares does not significantly vary from their net asset value.

(4) The provisions of this Act on cross-border mergers by acquisition shall apply accordingly to cases where one of the acquired companies has been validly formed and has its seat in a non-EU state or a country that is not party to the European Economic Area Agreement, provided that in the case of such a merger by acquisition the acquiring company has been validly formed in accordance with the law of the Republic of Croatia and has its seat, central administration or principal place of business within the Republic of Croatia.

(5) Save as otherwise provided in this Chapter of the Act, the provisions of Chapters 1 to 4 of Title VII of this part of the Act shall apply accordingly to cross-border mergers by acquisition.

Common draft terms of merger by acquisition

Article 549b (OG 130/23)

(1) The bodies authorised to represent the merging companies shall draw up the common draft terms of the merger by acquisition. The common draft terms of the merger by acquisition shall include the following data:

1. the legal form, corporate name and seat of the merging companies;
2. the share exchange ratio and the amount of additional payments in money;
3. the terms for the transfer of shares to the acquiring company;
4. the likely repercussions of the merger by acquisition on employment;
5. the date from which the persons acquiring shares in the acquiring company are entitled to a share in profits and any conditions affecting that entitlement;
6. the date from which the transactions of the merging companies will be treated as being those of the acquiring company;
7. the rights conferred by the acquiring company on company members enjoying special rights or on holders of securities other than shares or the measures proposed concerning such persons;
8. any special advantages granted to members of management and supervisory bodies of the merging companies;
9. the articles of association or the memorandum of association of the acquiring company;
10. where appropriate, information on the procedures by which arrangements for the participation of employees of the acquiring company are determined;
11. information on the evaluation of the assets and liabilities which are transferred to the acquiring company;
12. dates of the profit and loss statements used to establish the conditions of the merger by acquisition;
13. the terms for the monetary compensation given to members of the merging companies;
14. creditors' security offered to creditors.

(2) If all shares in the acquired company are held by the acquiring company, the common draft terms of the merger by acquisition need not contain the data referred to in items 2, 3 and 5 of the previous paragraph of this Article.

(3) The common draft terms of the merger by acquisition shall be drawn up in the form of a notarial deed.

Publication of the common draft terms of merger by acquisition

Article 549c (OG 130/23)

(1) Companies taking part in the cross-border merger by acquisition shall submit to the court of registration an application for registration of the intent to implement the cross-border merger by acquisition upon publishing the notice convening the general meeting or meeting which is to resolve on the merger by acquisition, no later than one month before the meeting. For the purpose of implementing the cross-border merger by acquisition, the commercial court shall register a notice to company members, creditors, works council or employees if the company does not have a works council established to submit their comments on the common draft terms of the merger by acquisition no later than five days before the general meeting or meeting which is to resolve on the merger by acquisition. The application for registration of the intent to implement the cross-border merger by acquisition shall be submitted together with the common draft terms of merger by acquisition, report on the merger by acquisition and the merger audit report referred to in Article 515 of this Act, whereby the information deemed confidential by the company may be excluded from the

audit report. These documents shall be made available free of charge on the website of the commercial court and through the system of interconnection of registers.

(2) The following data shall in particular be specified in the publication of registration of the cross-border merger by acquisition:

1. notice that the common draft terms of the merger by acquisition have been delivered to the court register;
2. the legal form, corporate name and seat of every merging company;
3. the data on registers in which each merging company is registered;
4. an indication on the arrangements made for the exercise of the rights of creditors, members and employees of the merging companies;
5. the details of the website from which the documents referred to in paragraph 1 of this Article may be obtained free of charge.

(3) The publication of the draft terms of merger by acquisition shall not be required if in the period from the convocation of the general meeting to its conclusion the common draft terms of merger by acquisition are continuously available on the company's website from which they may be downloaded free of charge. In that case, the notice of convocation of the general meeting, which shall also include the data referred to in paragraph 2 of this Article, shall notify the shareholders that the draft terms of merger by acquisition are available on the company's website from which they may be downloaded free of charge.

(4) Each merging company shall deliver the documents referred to in paragraph 1 of this Article to all the other merging companies.

(5) If the validity of the merger by acquisition is not subject to approval by the general meeting or meeting, the documents referred to in paragraph 1 of this Article shall be made available no later than one month before the general meeting or meeting of the other merging companies.

Report on the merger by acquisition

Article 549d (OG 130/23)

(1) The management bodies of each of the merging companies shall draw up a report on the merger by acquisition explaining and justifying the legal and economic aspects of the merger by acquisition and explaining the implications of the merger by acquisition for future operations of the company and for the merging company members, creditors and employees. The company may draw up one report which shall include separate sections for company members and for employees, or may draw up two separate reports. The section of the report relating to employees shall not be required if the company or its subsidiaries have no other employees except the members of the management body. The section relating to company members shall not be required if all the company members waive such right.

(2) The section for company members shall, in particular, specify the following:

- the amount of monetary compensation and calculation methods used,
- the share exchange ratio and methods used,
- the consequences of the merger by acquisition for the company members,
- the rights of members to additional payments in money and monetary compensation.

(3) The section for employees shall, in particular, specify the following:

- the repercussions of the merger by acquisition on employment relationships and measures for their protection,
- any significant changes of the conditions of employment or place of business of the company,
- the impact of factors from the previous items of this paragraph on subsidiaries.

(4) The report on the merger by acquisition and the common draft terms of the merger by acquisition referred to in Article 549b of this Act shall be made available in electronic form to members of all merging companies and their employees or employee representatives no later than six weeks before the general meeting or meeting which is to resolve on the merger by acquisition. If a general meeting or meeting is not required for a particular company, the

documents shall be made available before the general meeting or meeting of the other companies. Where the employees give their opinion on the merger by acquisition, that opinion shall be attached to the report.

Audit of the merger by acquisition

Article 549e

- (1) The provisions of Article 515 of this Act shall apply accordingly to the audit of mergers by acquisition.
- (2) An audit of the merger by acquisition shall not be necessary if all members of all merging companies explicitly agree to dispense with it.

Resolutions of the meetings

Article 549f (OG 130/23)

- (1) The general meeting or meeting of each merging company shall resolve on the majority and method of approving the merger by acquisition required for that company.
- (2) If the acquiring company holds all the shares conferring the right to vote in the acquired company or if the same person holds, directly or indirectly, all shares in the acquired company, the merger by acquisition shall not require the approval of the general meeting or meeting of the acquired company. In that case, the audit report referred to in Article 549e of this Act shall not be required, and the common draft terms of merger by acquisition need not include the information referred to in Article 549b, paragraph 1, items 2, 3, 5 and 13 of this Act. The section for the members of the acquired company in the report on the merger by acquisition referred to in Article 549d of this Act shall not be required for the acquired company.
- (3) If more than one company is being acquired, paragraph 2 of this Article shall apply only to the acquired company meeting the conditions referred to in the first sentence of paragraph 2 of this Article.
- (4) If the acquiring company with seat in the Republic of Croatia holds shares representing at least nine tenths of the acquired company's share capital, the merger by acquisition shall not require the approval by the acquiring company's general meeting, unless the acquiring company's shareholders, whose aggregate holdings amount to at least one twentieth of the share capital, request that the general meeting that is to resolve on the granting of approval to the merger by acquisition be called. In the publication referred to in Article 549c of this Act, the shareholders shall be advised of this right. If the holding of the general meeting is not requested, the acquiring company's management board shall make available the following at the company's business premises for inspection by the shareholders at least one month before the holding of the acquired company's general meeting that is to resolve on the consent to the agreement on the merger by acquisition:
 1. the common draft terms of the merger by acquisition;
 2. the annual financial statements and the reports on the condition of the merging companies for the preceding three financial years;
 3. if the last annual financial statements relate to the financial year that ended more than six months before the conclusion of the agreement on the merger by acquisition, new financial statements bearing a date not more than three months before the conclusion of the agreement;
 4. the reports on the merger by acquisition referred to in Article 549d of this Act;
 5. the audit reports referred to in Article 549e of this Act.
- (5) The general meeting may make its consent for the merger by acquisition conditional on the explicit approval of employees of the acquiring company of the manner of participation of employees in that company.

Protection of members of merging companies

Article 549g (OG 130/23)

- (1) Members of merging companies who voted against the resolution on the merger by acquisition and recorded their opposition in the minutes, may dispose of their shares for adequate monetary compensation.

- (2) The request referred to in paragraph 1 of this Article shall be made to the acquiring company by the company member no later than eight days of the general meeting or the meeting held by their company.
- (3) The company shall pay the monetary compensation within 30 days from the date the legal consequences of the merger by acquisition start taking effect.
- (4) The resolution of the general meeting or meeting on approving the agreement on merger by acquisition shall not be challenged on the grounds that the monetary compensation has been inadequately set or that adequate information about the compensation has not been provided. The provisions of Articles 532 and 547 of this Act shall apply accordingly.

Protection of creditors of the acquired company

Article 549h (OG 130/23)

- (1) The creditors of the acquired company whose claims antedate the publication of the common draft terms of the merger by acquisition and have not fallen due at the time of the publication, and who demonstrate that the safeguards for creditors provided for in the common draft terms are not adequate and that, due to the cross-border merger by acquisition, the satisfaction of their claims is at stake, may, within three months of the publication of the common draft terms, file a motion to the court competent for registering the merger in respect of the company whose creditors they are, to suspend the registration of the merger until after the creditors have been provided adequate security.
- (2) If the court approves their motion, it shall set a period within which the company is to provide adequate security for the creditors.
- (3) If the merger by acquisition is not carried out, the company shall be released from the obligation to provide security for claims to the creditors.

Application for registration of the merger by acquisition in the register of the acquired company that has its seat in the Republic of Croatia

Article 549i (OG 130/23)

- (1) The court in whose register the acquired company that has its seat in the Republic of Croatia is registered shall be competent to supervise all acts within the framework of the merger procedure insofar as they relate to such company.
- (2) The management board or the executive directors of the acquired company shall submit an application for registration in the court register. Such application shall state that the judicial examination procedures of the share exchange ratio (Articles 532 and 547) and the procedures for the exercise of the special rights of shareholders (Article 562) or company members (Article 570) are ongoing.
- (3) The court referred to in paragraph 1 of this Article shall, when registering the merger by acquisition, make a note in the register that the merger by acquisition shall take effect only upon the fulfilment of the conditions laid down by the law of the country to whose jurisdiction the acquiring company is subject.
- (4) The publication of the registration of the merger by acquisition shall indicate that the procedures referred to in paragraph 2 of this Article are ongoing and that the note referred to in paragraph 3 of this Article has been made.

Registration of the merger by acquisition in the register of the acquiring company that has its seat in the Republic of Croatia

Article 549j (OG 130/23)

- (1) The court in whose register the acquiring company that has its seat in the Republic of Croatia is or is to be registered shall be competent to supervise how the merger by acquisition is being carried out. In particular, it shall check whether the common draft terms of the merger by acquisition have been properly adopted by the merging companies and whether arrangements for employee participation have been made.
- (2) In the case of a merger by acquisition, the application for registration of the acquiring company in the court register shall be submitted by that company's management board or executive directors and the chairperson of the supervisory board, if the company has a supervisory board. In the case of a merger by formation of a new company, the application for registration of the new company shall be submitted by the jointly authorised bodies of the merging companies.

(3) The application for registration shall be submitted together with the common draft terms of division and the certificate of merger by acquisition issued for each of the acquired companies by the competent authority of the country where it has its seat and which is available through the system of interconnection of registers.

(4) The court referred to in paragraph 1 of this Article shall inform ex officio without delay all the registers in which each of the acquired companies were registered of the date of registration of the merger by acquisition.

Effect of merger by acquisition

Article 549k

If the acquiring company has its seat in the Republic of Croatia, the legal consequences of the merger by acquisition shall take effect upon registration of the merger by acquisition in that company's court register. If the acquired company has its seat in the Republic of Croatia, the legal consequences of the merger by acquisition shall take effect in accordance with the law of the country in which the acquiring company has its seat.

Certificate of merger by acquisition

Article 549l (OG 130/23)

(1) Within three months from the submission of the application referred to in Article 549i, paragraph 2, of this Act, the court of registration shall examine whether all requirements have been met and all actions required for the cross-border merger by acquisition have been performed. If the conditions referred to in the previous sentence have not been met, the court of registration shall refuse the registration of the cross-border merger by acquisition in the court register.

(2) If serious doubts are raised that the cross-border merger by acquisition is set up for abusive or fraudulent purposes that may lead to or are aimed at evading or circumventing the law of the European Union or national law, or for criminal purposes, the court may request additional information or documents, and may also perform additional activities. In that case, the period specified in paragraph 1 of this Article may be extended by further three months. If the court finds that the cross-border merger by acquisition is set up for such purposes, it shall reject the application for registration.

(3) If in duly justified exceptional cases examination is not possible within the periods specified in paragraphs 1 or 2 of this Article due to the complexity of the cross-border merger by acquisition, the court shall notify the applicant of the reasons for the delay within the same periods.

(4) The following shall be registered in the court register referred to in paragraph 1 of this Article:

1. the case number of the cross-border merger by acquisition in the register;
2. the statement that all the requirements have been met and all actions required for the cross-border merger by acquisition have been performed.

(5) Registration in the court register referred to in paragraph 4 of this Article shall not be carried out before the expiry of the period referred to in Article 549h, paragraph 1, of this Act. If the motion referred to in Article 549h, paragraph 1, of this Act has been filed, the registration in the register referred to in paragraph 4 of this Article shall not be carried out until:

1. the court decision rejecting the motion becomes final; or
2. the creditor is provided the security in accordance with the court decision; or
3. the decision partially rejecting the motion becomes final and the creditor is provided the security in accordance with such court decision.

The company shall demonstrate that the creditor has been provided security, and upon the court's request, the members of the management board or the executive directors shall declare that the creditor has been provided security in accordance with the court's decision.

(6) After the registration referred to in paragraph 4 of this Article, the court of registration shall issue a decision confirming that all requirements have been met and all actions required for the cross-border merger by acquisition have been performed (certificate of merger by acquisition). This certificate shall be made available via the system of interconnection of registers specified in Article 22 of Directive (EU) 2017/1132 (hereinafter referred to as "system of interconnection of registers").

(7) Upon being informed that the cross-border merger by acquisition has taken effect by the competent authority of the country where the acquiring company has its seat, the court of registration shall register a note of the date of validity of the cross-border merger by acquisition in the court register, and send the authority the electronic documents in its possession.

(8) The certificate of merger by acquisition, to be issued by the competent authority of another Member State or a country party to the European Economic Area Agreement through the system of interconnection of registers, shall serve as proof that all requirements have been met and all actions required for the cross-border merger by acquisition have been performed in accordance with the law of the issuing country. The court of registration shall not register the cross-border merger by acquisition in the court register without the certificate of merger by acquisition.

Article 550

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TITLE VIIa DIVISION OF CORPORATIONS

Chapter 1 GENERAL PROVISIONS

Definitions

Article 550a (OG 130/23)

- (1) A corporation may be divided. Division shall be carried out as a full division or as division by separation.
- (2) Full division means a company's simultaneous winding-up without going into liquidation and the transfer of all its assets to two or more new companies formed for the purpose of carrying out the full division (full division with the formation of new companies) or to more than one already existing company (full division with acquisition).
- (3) Division by separation means the transfer of one or more parts of assets of the company being divided, without being wound up, to one or more new companies formed for the purpose of carrying out the division (division by separation with the formation of new companies) or to one or more already existing companies (division by separation with acquisition).
- (4) Division may be carried out by simultaneously transferring parts of assets to both new and already existing companies.
- (5) As a result of division parts of assets, liabilities and legal relationships of the company being divided shall be transferred to the companies formed for the purpose of carrying out the division (new companies) or to already existing companies (acquiring companies) as stipulated in the draft terms of division.
- (6) The new companies or the acquiring company or companies shall be the universal legal successors of the company being divided and shall be liable for the obligations of the company being divided in accordance with the provisions of this Title of this Act.
- (7) The shareholders of the company being divided (members of the company being divided) shall acquire business shares or shares in the new companies or acquiring company or companies in proportion to the shares they held in the company being divided, unless otherwise provided by the provisions of this Title of this Act. In case of a division by separation, it shall be allowed to carry out the division in such a way that the company being divided acquires all shares in the new company or companies or shares in the acquiring company or companies, as set out in the draft terms of division.
- (8) If the number or the total par value of a member's shares in the company being divided, or the value of the portion of the share capital of such company allocated to this share or shares is not sufficient for the member to acquire a whole number of shares or at least one business share in the new companies or the acquiring companies, those companies shall make an additional payment in money to such member. Such payment in money may not exceed one tenth of the par value of the shares allocated to this member in the new companies or acquiring companies or the total of one tenth of the overall share capital of all new companies or acquiring companies combined.
- (9) The additional payment in money referred to in paragraph 8 of this Article may also be made by a third party if so provided in the draft terms of division provide for this. In case of a division by separation, it shall be allowed to carry out the division in such a way that the company being divided acquires all shares in the new company or companies or shares in the acquiring company or companies, as set out in the draft terms of division. The restriction referred to in the last sentence of paragraph 8 of this Article shall not apply to such payments.

Chapter 2 DIVISION BY THE FORMATION OF NEW COMPANIES

Draft terms of division

Article 550b (OG 130/23, 136/24)

- (1) The management board or executive directors of the company being divided shall draw up draft terms of division.
- (2) Draft terms of division referred to in paragraph 1 of this Article shall specify the following:
1. the corporate name and seat of the company being divided;
 - 1a. proposal of corporate names and seats of the new companies;
 2. the proposal of draft articles of association or memoranda of association of the new companies;
 - 2a. in case of a division by separation involving the amendment to the provisions of the articles of association or the memorandum of association of the company being divided, the proposal for such amendments;
 3. the express statement on the division and transfer of parts of assets to new companies involving the legal consequences of universal legal succession and the transfer of shares in new companies to members of the company being divided in exchange for shares they held in the company being divided;
 4. the exchange ratio of shares in the company being divided for shares in the new companies;
 5. the amount of additional payment in money from Article 550a, paragraph 8, of this Act and the corporate name and seat of the new company, or the corporate name or full name and domicile of the third party that will make such payment;
 6. particulars on the reduction of the share capital in the company being divided if the share capital is being reduced in accordance with Article 550c of this Act;
 7. particulars on the acquisition of shares in the new companies and particulars on when these shares give the holders the right to participate in profits, specifying the special conditions that affect that right;
 - 7a. tentative timetable for carrying out the division with an indication of when its effects are expected to take place;
 8. the date from which the actions of the company being divided shall be treated as actions entered into for the account of the new companies (date of the operational effects of division), and the date as of which the statements of the financial position referred to in item 13 of this paragraph will be prepared;
 9. if the company being divided has shares to which a special status or special rights are attached, such as non-voting shares, preferred shares, convertible bonds, profit participation certificates, bonds conferring the right to dividends or business shares with special rights, specification of the rights which the holders of such shares or the persons entitled to these rights shall have in the new companies or of the adequate monetary compensation for such rights;
 10. any special advantage granted to members of the management board or the executive directors, members of the supervisory board or board of directors of the company being divided or the new company or the division auditor;
 11. the precise description and allocation of parts of assets, liabilities and legal relationships to be transferred to each of the new companies, and in the case of division by separation also the description and allocation of assets, liabilities and legal relationships that remain in the company being divided. It shall suffice to refer to documents, such as the annual financial statements, reports on the financial position referred to in item 13 of this paragraph and inventory lists, provided their contents allow for the allocation of individual parts of assets;
 12. particulars on the allocation of those parts of the assets that, based on the draft terms of division, would not be possible to allocate to any of the new companies or the company being divided, specifically in regard to the assets and liabilities that are not known on the date of drawing up the draft terms of division;
 13. the final report on the financial position of the company being divided, initial report on the financial position of the new companies, and in the case of division by separation, division report on the financial position from which it is evident which part of assets and liabilities will remain with the company being divided after separation is carried out;
- item 13a is deleted.

14. in the case of Article 550a, paragraph 8, of this Act, the amount of the additional monetary payment, unless all members of the company being divided have expressly waived their right to the additional monetary payment with an additional statement, wherein the signature is certified by a notary public;

15. if additional security instruments are offered to creditors, regardless of their rights under the provisions of Article 550o of this Act, a description of such additional security instruments offered and creditors or groups of creditors they are offered to.

(3) No more than nine months may pass between the date at which the final and initial report on the financial position and the division report on the financial position referred to in paragraph 2, item 13, of this Article were drawn up and the date of submission of the application for registration of the division with the court register. The reports referred to in paragraph 2, item 13, of this Article need not be published, but have to be made available for inspection by members of the company being divided in accordance with the provision of Article 550g of this Act.

(4) The signature on the offer made by a third party for the making of an additional payment in money, referred to in Article 550a, paragraph 8, of this Act, shall be certified by a notary public.

(5) If the division by separation is carried out so that all shares in the new company or companies are acquired by the company being divided, the draft terms of division do not need to include the information referred to in paragraph 2, items 4, 5, 9 and 14, of this Article. Instead of the express statement referred to in paragraph 2, item 3, of this Article, the draft terms of division shall will in that case contain an express statement on the division and transfer of parts of the assets to the new company or companies with the legal consequences of universal legal succession and the transfer of shares in the new companies to the company being divided.

Capital preservation, application of formation rules, liability of bodies

Article 550c

(1) The sum of the par values of the new companies' share capital after the division must be at least equal to the pre-division par value of the share capital of the company being divided. The sum of all the new companies' statutory reserves, reserves provided by the articles of association and other reserves which under the law or the articles of association or the memorandum of association may be used only for a particular purpose, as stated in the initial report on the financial position of the new companies, shall be at least equal to those reserves as stated in the final report on the financial position of the company being divided.

(2) In the case of division by separation, the company being divided may reduce its share capital without applying the provisions of this Act on the reduction of share capital. If the reduction of share capital is carried out in accordance with the provisions of this Act relating to its regular reduction, it is permissible to disregard the provisions of paragraph 1 of this Article.

(3) In the case of formation of new companies, the provisions of this Act on the simultaneous formation of public limited companies or private limited companies shall apply, unless otherwise provided by the provisions of this Title. The company being divided is deemed to be the founder.

(4) The division auditor shall review the formation of new companies. In the case of division by separation, the division auditor shall in particular check whether after the division the actual value of the net assets of the company being divided (the value of assets after deduction of liabilities) will be at least equal to the amount of the share capital increased by the amount of reserves which such company is required to maintain. The provisions of this Act on the formation audit of a public limited company shall apply accordingly to the audit referred to in this paragraph. In such case, the formation report referred to in Article 181 of this Act shall not be prepared. The audit referred to in this paragraph shall be performed even when the company members resolve not to perform the division audit.

(5) Members of the management board or executive directors, and members of the supervisory board or board of directors, where such body exists, of the company being divided as well as third parties that exerted their influence over the company shall be liable to all the companies involved in the division and their members for any damage resulting from the division. The provisions of Articles 252, 253, 272 and 273 of this Act shall apply accordingly to the liability of members of the management board or executive directors, members of the supervisory board or board of directors, and third parties.

Report on division

Article 550d (OG 130/23)

- (1) The management board or executive directors of the company being divided shall prepare a report on the division.
- (2) In the report referred to in paragraph 1 of this Article the management board or executive directors of the company being divided shall explain in detail and set out the legal and economic grounds for:
1. the reasons for division;
 2. contents of the draft terms of division, in particular
 3. the share exchange ratio and method or methods used for its determination, unless the members of the new companies are allocated shares in the same proportion as they held in the company being divided;
 4. the amount of the additional payment in money referred to in Article 550a, paragraph 8, of this Act, if this is provided for in the draft term of division, and the method or methods used for its determination;
 5. the compensation granted to holders of special rights referred to in the Article 550b, paragraph 2, item 10 of this Act;
 - 5a. information referred to in Article 550b, paragraph 2, item 13a of this Act, regarding the estimated valuation of the assets and liabilities of the companies involved in the division;
 6. the security instruments provided to the creditors referred to in Article 550o, paragraph 2, of this Act.
- (3) The report on the division prepared by the management board or the executive directors shall warn of any difficulties in the valuation of the companies involved in the division and shall reference the contents of the formation audit of the new companies referred to in Article 550c, paragraph 4, of this Act. The report on the division need not contain the information specified in Article 287, paragraph 2, items 1 to 5, of this Act.
- (4) The division report need not be prepared if the members of the new companies receive shares in the same proportion as the shares they held in the company being divided, or if all shareholders make an express statement in the form of a notarial deed that they waive the requirement to prepare the division report. Such express statement may be replaced by a unanimous resolution of the public limited company's general meeting or a unanimous resolution of the private limited company's meeting, recorded in the notarial protocol, relieving the management board of the obligation to prepare the report on the division, but only if all members of the company being divided participated in the general meeting or the meeting of the company being divided.

Division audit

Article 550e (OG 130/23)

- (1) The division auditor shall review the draft terms of division.
- (2) The division auditor shall be appointed by the court referred to in Article 40 of this Act.
- (3) The division auditor shall prepare a written report on the conducted audit of the draft terms of division. Where the members of the company being divided are not allocated shares in the new companies in the same proportion as they held in the company being divided, such report shall conclude with a statement on whether the share exchange ratio is appropriate, taking into account the additional payments in money provided for in the draft terms of division or offered by a third party. The following shall be, in particular, indicated:
1. methods used to determine the share exchange ratio, the allocation of shares to their holders, and the amount of additional payment in money;
 2. the reason why the application of these methods is appropriate;
 3. if several methods have been applied, which amount of additional payment in money, share exchange ratio and share allocation would have resulted from the application of each different method used, which importance has been attached to the different methods in determining the proposed share exchange ratio, the value on which it rests, and the share allocation, as well as which special valuation difficulties arose.
- (4) The division auditor shall submit its report to the management board or the executive directors of the company being divided and its supervisory board or board of directors, if the company has such a board.

(5) The regulations governing the audit shall apply to the liability of the division auditor, their assistants and the legal representatives of the company conducting the audit.

(6) Division audit shall not be required if the members of the new companies receive shares in the same proportion as the shares they held in the company being divided, or if all shareholders make an express statement in the form of a notarial deed that they waive the requirement for the division audit. Such express statement may be replaced by a unanimous resolution of the public limited company's general meeting or a unanimous resolution of the private limited company's meeting, recorded in the notarial protocol, on the company members waiving with the division audit, but only if all members of the company being divided participated in the general meeting or the meeting of the company being divided.

Report of the supervisory board or board of directors

Article 550f

(1) The supervisory board or board of directors of the company being divided, if the company has such a board, shall review the draft terms of division and the division audit and prepare a written report on the intended division. The supervisory board or board of directors shall submit its report to the general meeting of the public limited company or the meeting of the private limited company. If the company has no supervisory board, the management board shall forward the audit report together with any remarks it might have to the general meeting or the meeting. The general meeting or the meeting may elect a special commission that will review the draft terms of division and the division audit and prepare a written report thereon. The members of such commission need not be company members.

(2) The report of the supervisory board or board of directors need not contain the information specified in Article 287, paragraph 2, items 1 to 5, of this Act.

(3) The report referred to in paragraph 1 of this Article shall not be required if the members of the new companies receive shares in the same proportion as their shares in the company being divided, or if all shareholders make an express statement in the form of a notarial deed that they waive the requirement to prepare the division report. Such express statement may be replaced by a unanimous resolution of the public limited company's general meeting or a unanimous resolution of the private limited company's meeting, recorded in the notarial protocol, relieving the supervisory board or board of directors of the obligation to prepare the report on the division but only if all members of the company being divided participated in the general meeting or the meeting of the company being divided.

Preparation and conduct of the general meeting or the meeting that is to resolve on the division

Article 550g (OG 110/15, 130/23)

(1) If the company being divided is a public limited company, the draft terms of division must be delivered to the court register with jurisdiction over the seat of the company being divided before the general meeting, that is to resolve on the division, is convened. If the company being divided is a private limited company, the draft terms of division must be delivered to such register at least one month before the date the members of that company are to make a decision on the division.

(2) A notice shall be published in the company's official journal and on the website of the court register, stating that the draft terms of division have been submitted to the court register in accordance with the provision of paragraph 1 of this Article, unless, in the period pending the resolution on the division, the draft terms of division are continuously available on the company's website, where they may be downloaded free of charge. In the notice of the general meeting, the shareholders shall be advised of their right under paragraph 3 of this Article, and if the draft terms of division have been published on the company's website, that the draft terms may be downloaded from there free of charge.

(3) At the same time with the publication of the notice of the public limited company's general meeting that is to resolve on the division, the following shall be made available for inspection at the company's business premises in its seat:

1. the draft terms of division;

2. the company's annual financial statements for the preceding three financial years, and if the date on which the company's last annual financial statements were prepared is not the date on which the division took effect (Article

550b, paragraph 2, item 9), the final report on the financial position of the company being divided must also be attached;

3. if the members do not receive shares in the new companies in the same proportion as the shares they held in the company being divided, and the last annual financial statements relate to the financial year that ended more than six months before the draft terms of division were drawn up, new financial statements bearing a date not more than three months before the draft terms of division were drawn up must also be appended, or a semi-annual statement drawn up in accordance with the provisions of Article 465 of the Capital Market Act;

4. report prepared by the management board or executive directors on the division, if one is required;

5. division audit report, if one is required;

6. report of the supervisory board or the board of directors on the division, if one is required.

(4) The financial statements referred to in paragraph 3, item 3, of this Article shall be prepared in accordance with the regulations applicable at the time when the last annual financial statements were prepared. Items in the last annual financial statements may be taken over. In doing so, write-offs, value adjustments and any material changes in the value of assets not visible in the books shall be taken into account up to the date on which such statements were prepared.

(5) Every shareholder shall be entitled to obtain, upon request and at the cost of the company, copies of the documents referred to in paragraph 3 of this Article. Company creditors and the works council shall be entitled to obtain, upon request, copies of the documents referred to in paragraph 3, items 1 to 3, of this Article. If the shareholder has agreed to the electronic delivery of information by the company, the company may also deliver the documents referred to in paragraph 3 of this Article to the shareholder by e-mail.

(6) If the company being divided is a private limited company, all company shareholders shall be delivered copies of the documents referred to in paragraph 3 of this Article. At least 14 days must pass between the date of dispatch and the date of deciding on the division.

(7) During the general meeting or the meeting, the documents referred to in paragraph 3 of this Article shall be made available for inspection by shareholders. At the start of the deliberations the management board or the executive directors shall make available the draft terms of division and shall inform the shareholders of any material change in the company's assets and liabilities after the date of preparation of the draft terms of division. This in particular relates to any change that would justify a change in the share exchange ratio or a different allocation of shares in the new companies.

(8) The obligations of the company pursuant to paragraphs 3, 5 and 6 of this Article shall not arise if during the same period of time the documents referred to in paragraph 3 of this Article have been made available on the company's website from which members may download them free of charge.

(9) The resolution on the division must be made in the form of a notarial deed. Such requirement is deemed to be met if the minutes of the meeting deciding on the division were kept by a notary public. The draft terms of division shall be attached to the resolution or the minutes of the meeting and shall form an integral part thereof.

Resolution on division

Article 550h

(1) Upon resolution of the public limited company's general meeting or the private limited company's meeting on the approval of the draft terms of division, the resolution on the division shall be deemed passed.

(2) The resolution on the division of the company shall be passed in the manner in which the passing of a resolution on amendments to a public limited company's articles of association or a private limited company's memorandum of association has been provided for in this Act or in the articles of association or the memorandum of association. In respect thereof, the articles of association or the memorandum of association may provide for a larger majority or additional requirements.

(3) If the division is conducted in such a manner that the members of the company being divided are not allocated shares in the new companies in the same proportion as the shares they held in the company being divided, the resolution on the division shall be deemed validly passed only if votes representing at least nine tenths of the share capital of the

company being divided have been cast in favour of it. In case such majority is not achieved at the meeting, the resolution shall nevertheless be deemed to have been validly passed if no later than three months from the conclusion of the meeting the company members that voted against the resolution on the division and the company members that did not participate in the voting deliver to the company being divided an express statement of consent to the so that the sum of the votes cast and the statements submitted reaches the prescribed majority.

(4) The statement of consent referred to in paragraph 3 of this Article must be made in the form of a notarial deed. Draft terms of division shall be attached to the statement as its integral part.

Special consent

Article 550i

(1) If the division results in the exclusion or decrease of special rights granted to individual members of the company under the articles of association or the memorandum of association, in particular rights relating to the management of the company, appointment of members of the management board or the supervisory board or board of directors, or rights relating to the transfer of shares in the company, the resolution on the division shall also require consent from those company members, unless under the draft terms of division and the articles of association or the memorandum of association such rights would also be granted to them in the new companies.

(2) If the shares in the company being divided were freely transferable and the draft terms of division and the articles of association or the memorandum of association of the new company makes the transfer of shares conditional on the fulfilment of certain conditions, in particular the consent of the company, the resolution on the division shall require the consent of all members of the company being divided.

(3) The consent referred to in paragraphs 1 and 2 of this Article may also be given in writing outside the meeting. The provisions of Article 550h, paragraphs 3 and 4, of this Act shall apply accordingly.

Right to adequate severance fee

Article 550j (OG 34/22, 130/23)

(1) If as a result of the division the members of the company being divided are not allocated shares in the new companies in the same proportion as the shares they held in the company being divided, any company member that has recorded their objection to the resolution on the division in the minutes shall be entitled to request that all the companies involved in the division, as joint and several debtors, acquire the shares in those companies that on the basis of the division would be allocated to them, against payment of an adequate monetary severance fee. The foregoing shall not apply if the proportion of shares allocated to such member in all the new companies taken together is the same as their share in the company being divided.

(2) If the shares in the company being divided were freely transferable, but the new company's articles of association or the memorandum of association require that the company or individual members of the company consent to the transfer of shares, any member of the company being divided that has recorded their objection to the resolution on the division in the minutes of this company's meeting may request from that new company to acquire, against the payment of an adequate monetary severance fee, the shares that on the basis of the division would be allocated to them.

(3) If the new company's legal structure is different from that of the company being divided, any member of the company being divided that has recorded their objection to the resolution on the division in the minutes of the company's meeting may request from this new company to acquire, against the payment of an adequate monetary severance fee, the shares that on the basis of the division would be allocated to them.

(4) The objection referred to in paragraphs 1, 2 and 3 of this Article may also be recorded in the minutes by any member of the company being divided that voted in favour of the resolution on the division.

(5) The right referred to in paragraphs 1, 2 and 3 of this Article shall also belong to a member of the company being divided that did not participate in the meeting at the time when the resolution on the division was passed if they were unlawfully prevented from participating in the meeting, the meeting was not properly convened or the subject matter of the resolution was not properly published.

(6) A member of the company entitled to the severance fee referred to in paragraphs 1, 2, and 3 of this Article shall be provided upon their request with security instrument by the company or companies obligated to pay such a severance

fee. The request for such security instrument of the member of the company must be made with the request for the payment of a severance fee.

(7) A company member may request the payment of severance fee within the meaning of paragraphs 1, 2 and 3 of this Article no later than two months from the date of publication of the registration of the division in the court register. Adequate severance fee must be offered within one month of the date of receipt of the request. The time period for accepting such offer is one month. The severance fee must be paid within two months of the acceptance of the offer.

(8) The amount of adequate severance fee shall be calculated by taking into account the estimated value of the company being divided as established by the division audit on the basis of which the adequacy of the share exchange ratio and the share allocation was assessed. Interest shall accrue on the severance fee at the rate determined, for each half-year, in the amount of three percentage points over the reference rate provided for under the Financial Operations and Pre-Bankruptcy Settlement Act from the moment of registration of the division in the court register until paid to shareholders or company members.

Exclusion of grounds for challenging, judicial determination of the amount of severance fee

Article 550k

(1) The resolution on the division shall not be challenged for the sole reason that:

1. in view of the share exchange ratio set in the draft terms of division, the shares in the new company together with the payment in money, if any, do not constitute an adequate compensation for the shares held in the company being divided;
2. the amount of severance fee referred to in Article 550j of this Act is inadequate or was not offered or not properly offered;
3. the determination or justification of the share exchange ratio and of the additional payment in money, if any, contained in the report of the management board on the division, report of the division auditor and the report of the supervisory board or board of directors is not in accordance with the provisions of this Act.

(2) A company member that submitted their request in due time but was not offered adequate severance fee within the prescribed time period or the severance fee offered was not adequate may within the time period for the acceptance of such offer set in Article 550i, paragraph 7, of this Act be entitled to request from the court having jurisdiction over the seat of the company being divided to determine the amount of adequate severance fee. In the case of two or more proceedings, the court shall consolidate them. If the court determines that no severance fee has been offered or that the severance fee offered is not adequate and determines the amount of adequate severance fee, it shall order the company to reimburse the company members that participated in the proceedings for the necessary costs of the proceedings.

Application for registration of division in the court register

Article 550l

- (1) The application for the registration of the division in the court register shall be submitted by members of the management boards or the executive directors, and the chairpersons of the supervisory boards or boards of directors, if the companies have such bodies, of all the companies involved in the division.
- (2) The application shall be submitted to the court of registration having jurisdiction over the seat of the company being divided.
- (3) The following shall be enclosed to the application:
1. the draft terms of division;
 2. minutes of the meeting at which the resolution on the division was passed;
 3. subsequent statements of consent to the resolution on division, if given;
 4. where required, statements of consent of individual members of the company holding special rights;
 5. the report of the management board or the executive directors on the division, except where company members waived the requirement to prepare to such report;
 6. the division audit report, except where company members waived the requirement to prepare such report;

7. the report of the supervisory board or board of directors on the division, except where company members waived the requirement to prepare such report;
 8. the documents that shall be enclosed for the purpose of registration of the new companies in the court register under the provisions of this Act on the formation of the companies concerned;
 9. if the division requires is subject to consent or authorisation of a national authority or institution vested with public authority, such consent or authorisation;
 10. proof that the meeting that resolved on the division was prepared and convened in accordance with the provision of Article 550g, paragraph 1, of this Act;
 11. the statement by a third party offering to make the payment in money, given in the prescribed form (Article 550b, paragraph 4);
 12. proof of provision of security instrument referred to in Article 550j, paragraph 6, of this Act, if such request was made prior to submission of the application;
 13. a statement of the management board or the executive directors of the company being divided that
 - no action to challenge the resolution of the meeting on the division has been filed within the prescribed period or that by the date of the application no action to declare null such resolution has been filed or
 - that the claim, if it has been asserted for the reason stated in the previous subparagraph of this item, was finally rejected or that the action was dismissed or withdrawn, or
 - that all company members have made a statement in the form of a notarial deed waiving their right to challenge the resolution on the division or to assert that it is null. Such express statement on the waiver of the right is replaced by a unanimous resolution of the public limited company's general meeting or a unanimous resolution of the private limited company's meeting to the same effect, recorded in the notarial protocol, but only if all members of the company being divided participated in the meeting of the company being divided.
- (4) The application and the attachments referred to in paragraph 3 of this Article shall be submitted in as many copies as the number of new companies being formed for the purpose of carrying out the division plus one copy of the application and all the attachments that is to be provided to the court of registration where the company that is being divided is registered.

Registration of division

Article 550m

The division and the formation of new companies shall be registered simultaneously in the court register of the court having territorial jurisdiction over the seat of the company being divided. When registering the new companies, it shall be indicated that they are formed as part of the division operation. The said court shall notify the court of registration having territorial jurisdiction over the seat of each new company on the registration of the formation of such new companies. A copy of the application including all the attachments shall be delivered with such notification.

Legal consequences of registration

Article 550n (OG 130/23)

- (1) Upon registration of the division in the court register the following legal consequences shall take effect:
1. parts of assets, liabilities and legal relationships of the company being divided shall, in accordance with the draft terms of division be transferred by universal succession to the new companies. Where a particular part of the asset has not been allocated by the draft terms of division or where such allocation is not be possible pursuant to the draft terms of division, the asset or the consideration for the company shall be allocated to all the new companies in the same proportion as the net assets of the company being divided were allocated to such companies under the draft terms of division;
 2. in the case of full division, the company being divided shall cease to exist;

3. in the case of a division by separation, the amendments to the articles of association or the memorandum of association provided for in the draft terms of division shall take effect and the share capital of the company being divided shall be deemed reduced, if such reduction was provided for in the draft terms of division;
 4. the members of the company being divided, or in the case of division by separation, either those members or the company that is being divided itself, shall acquire shares in the new companies in accordance with the allocation laid down in the draft terms of division; the third party rights over the shares of the company being divided shall continue to exist over the shares in the new companies for which the former have been exchanged as well as over any additional payments in money, if applicable;
 5. legal relevance of any defect of the notarial form in which the resolution on the division was drawn up shall cease.
- (2) Any defect of the resolution on the division shall not affect the validity of the registration and the legal consequences of the division referred to in paragraph 1 of this Article. Once the resolution on division takes effect, division as a status change and specific legal consequences of division shall not be challenged or declared null, nor shall they be deprived of legal effect in any other way. A claimant that brought an action to challenge or declare null the resolution on the division before the registration of the division in the court register may amend their claim even without the respondent's consent and claim damages suffered as a result of the registration in the court register.
- (3) Until they are informed to which new company or company involved in the division their obligation has been transferred, the debtor of the company being divided may validly perform their obligation to any such company.
- (4) Until they are informed to which new company or company involved in the division the obligation from their claim has been transferred, the creditor of the company being divided may request performance from any such company.

Creditor protection

Article 550o (OG 34/22, 130/23)

- (1) Company to which any obligation has been transferred under the draft terms of division shall be liable together with all other companies involved in the division as joint and several debtors, for all the obligations of the company being divided that arose prior to the registration of the division in the court register. Such liability is limited to the value of the assets transferred under the draft terms of division to each company involved in the division, reduced for the amount of liabilities allocated under the draft terms of division to each such company.
- (2) The new companies or the companies involved in the division must provide security instrument to the creditors of the company being divided that cannot request performance of their claim provided such creditors have submitted their claims to any of these companies within 6 months from the publication of the registration of the division in the court register. Creditors of the company being divided whose claims are fully secured by a right of separate satisfaction shall not have the right to security, nor shall those who have the right of priority settlement in bankruptcy proceedings. The request for the provision of security instrument for a claim not yet due, conditional or contingent claim shall be limited to the estimated value of such claim as at the time of registration of the division in the court register, based on a conscientious application of accounting standards. The court referred to in Article 40 of this Act, which has jurisdiction over the seat of the company being divided, shall decide, in a non-contentious civil procedure, on the claim of the creditor for which the new companies or the companies involved in the division failed to provide adequate security instrument.
- (3) In the publication of the registration of the division in the court register the creditors of the company being divided must be warned of the right referred to in paragraph 2 of this Article.
- (4) After having been provided security instrument within the meaning of paragraph 2 of this Article, the creditors may no longer assert joint and several liability of the companies involved in the division referred to in paragraph 1 of this Article.
- (5) A holder of convertible bonds, bonds conferring the right to dividends, bonds conferring pre-emptive right to acquire shares or any other person that used to hold such right or the right to participate in the profit of the company being divided which is not or not subsequently granted any such right in any of the new companies shall be entitled to an adequate monetary severance fee. All the companies involved in the division shall be jointly and severally liable for

the payment of such consideration. The provisions of Article 491, paragraph 2, of this Act shall apply accordingly to the determination of such consideration.

Right of third parties to information

Article 550p

- (1) Any person whose legal interest has been adversely affected by the division may request from each of the companies involved in the division information on how parts of assets, liabilities and legal relationships of the company being divided were allocated. If a company refuses to provide such information, the information may be requested through the court.
- (2) The court having jurisdiction over the seat of the company requested to provide information shall decide on the request referred to in paragraph 1 of this Article. The court may order the company that is requested information to provide its books for review or to make them available for inspection by either the applicant or an authorised auditor or expert of the relevant profession, provided, however, that any such person expressly undertakes to guard the secrecy of the information and that the expert undertakes to inform the applicant only of such information as is absolutely necessary for the protection of their legal interest.
- (3) The court shall decide at its discretion which party is to bear the costs of proceedings.

Chapter 3 DIVISION BY ACQUISITION

Application of provisions on division by the formation of new companies

Article 550r

- (1) Unless otherwise provided in this Article, the provisions of Articles 550b to 550p and Articles 512 to 549 of this Act shall apply accordingly to the division by acquisition.
- (2) Under the provisions of Articles specified in paragraph 1 of this Article, in the case of division by acquisition:
1. the draft terms of division shall be replaced by the agreement on the division and acquisition which shall be concluded in the form of a notarial deed between the management boards or the executive directors of the company being divided and the acquiring company;
 2. the new company shall be replaced by the acquiring company;
 3. if after the conclusion of the agreement on the division and acquisition and before the date of the general meeting of the public limited company being divided or the meeting of the private limited company being divided that is to resolve on the division, a material change occurs in this company's things or liabilities, the management board or the executive directors of the company being divided must inform thereof the management boards or the executive directors of all the acquiring companies so that the latter may inform their respective meetings of any such change;
 4. the agreement on the division and acquisition shall specify the date from which the shares in the acquiring companies entitle the new holders to participate in the profits of these companies;
 5. the application for the registration of the division in the court register may be submitted by each of the companies involved in the division.
- (3) In the event that the acquiring companies are the sole shareholders of the company being divided, the agreement on the division and acquisition does not need to be approved by the general meeting or the meeting of the private limited company being divided.

Chapter 4 CROSS-BORDER DIVISION

Cross-border division. Companies involved in the cross-border division

Article 551 (OG 130/23)

(1) Cross-border division within the meaning of the provisions of this Chapter of the Act means the division of a commercial company in which the company being divided and at least one new company involved in the division have their seats in different European Union Member States or countries that are parties to the European Economic Area Agreement, provided that at least one of them has its seat in the Republic of Croatia.

(2) A company with its seat in the Republic of Croatia may be divided according to the rules for cross-border division under this Chapter of the Act if it is a public limited company or a private limited company.

(3) In case of a cross-border division of a foreign company, a new company or companies may be formed in the Republic of Croatia in the process of such division, provided that the company being divided is one of the companies listed in Annex II to Directive (EU) 2017/1132. A new company formed in the process of cross-border division in the Republic of Croatia may only be formed as a public limited company or a private limited company.

(4) A company registered in the Republic of Croatia shall not carry out a cross-border division within the meaning of the provisions of this Chapter of this Act if the company being divided is:

1. a company in liquidation that has begun to distribute assets to its members;
2. a company subject to bankruptcy or pre-bankruptcy proceedings, or extraordinary administration procedure in companies of systemic importance for the Republic of Croatia or a company that is subject to corresponding proceedings in other Member States;
3. a company subject to resolution tools, powers or mechanisms provided for in the Act on Resolution of Credit Institutions and Investment Firms, or a company subject to the corresponding tools, powers or mechanisms of other Member States;
4. a company aimed at collective investing of capital raised from the public, operating on the principle of risk-spreading, and whose shares are, at the request of their holders, repurchased or redeemed, directly or indirectly, out of that company's assets, which also includes actions undertaken by such company to ensure that the stock exchange value of their shares does not materially deviate from their net asset value.

Application of the laws of individual member states to the cross-border division procedure. Application of provisions of this Act on domestic division

Article 551a (OG 130/23)

(1) The provisions of this Chapter regarding the company being divided, i.e. the provisions that govern the prerequisites and process of the cross-border division until the issuance of the certificate preceding the division, shall apply only if the company being divided has its seat in the Republic of Croatia.

(2) The provisions of this Chapter regarding new companies that are formed in the process of cross-border division, i.e. that govern the prerequisites and the procedure for the formation of new companies in the process of cross-border division, and which are undertaken after the issuance of the certificate preceding the division, shall apply only to the new company or companies formed in the territory of the Republic of Croatia.

(3) Unless otherwise provided for by the provisions of this Chapter, the provisions of Chapters 1 and 2 of Title VIIa of this Act shall apply accordingly to cross-border divisions.

(4) Cross-border division shall not be carried out as a division by acquisition.

(5) The provisions of Articles 550g, 550h, 550i and 550j, Article 550k, paragraph 2, Article 550l and Article 550o, paragraphs 2 and 3, of this Act shall not apply to the cross-border division.

Draft terms of cross-border division

Article 551b (OG 130/23)

In addition to the information referred to in Article 550b, paragraph 2, of this Act, the draft terms of cross-border division shall also contain the following:

1. details on the adequate severance fee referred to in Article 551i of this Act and the e-mail address to which a request for its payment may be submitted;
2. expected consequences of cross-border division on employment;
3. where necessary, information on procedures that determine the details of employees' involvement in determining their participation rights in the new company or companies;

4. where necessary, proposals for other acts that, in addition to or instead of the articles of association or memorandum of association, shall be adopted in accordance with the law of the country where the new company is being formed within the framework of a cross-border division;
5. where necessary, particulars on whether, in addition to the shares acquired on the basis of the exchange ratio referred to in Article 550b, paragraph 2, item 4, of this Act, the members of the company being divided are also allocated shares and securities in the new company or companies, or in the company that is being divided, or both in the company that is being divided and in the new company or companies, and if so, the criteria on which this allocation is based.
6. information on the estimated value of assets and liabilities that are transferred to the new company or companies, and in the case of division by separation, it also contains information on the estimated value of assets and liabilities that remain in the company being divided.

Report on cross-border division

Article 551c (OG 130/23)

- (1) The management board or the executive directors of the company being divided must prepare a report on the cross-border division. The report shall consist of a general part, a part intended for company members and a part intended for employees.
- (2) The general part of the report shall contain the explanation of the fundamental legal and economic aspects of the division, the reasons for the division, as well as the consequences of the cross-border division for the company's employees. This part shall particularly elaborate on the implications of the cross-border division for the future business operations of the companies involved in the division.
- (3) The part of the report intended for company members shall consist of everything contained in the report referred to in Article 550d, paragraphs 2 and 3, of this Act, and in any case it shall include an explanation of the share exchange ratio and the method or methods used to determine that ratio. The management board or the executive directors of the company must also explain to the company members, in additional detail, the following:
 1. consequences of cross-border division for the members; and
 2. the right of members to adequate severance fee referred to in Article 551i of this Act, as well as the method used to determine that fee.
- (4) The part of the report intended for company employees must in particular contain the explanation of the following:
 1. consequences of cross-border division for employment relationships and, where necessary, measures for their protection;
 2. any significant changes of the conditions of employment or the company's place of business;
 3. the impact of the factors set out in items 1 and 2 of this paragraph on subsidiaries of the company being divided.
- (5) Instead of a single report intended for company members and employees, the management board or executive directors may separately prepare a report intended for members and a report intended for employees. Each of these reports shall, in addition to the explanations given in the general part, also contain special explanations intended for company members and employees respectively.
- (6) It shall not be necessary to prepare a report intended for members or a part of the report intended for them if all members of the company being divided expressly state in the form of a notarial deed that they waive the requirement to prepare the division report. Such express statement shall be replaced by a unanimous resolution of the public limited company's general meeting or a unanimous resolution of the private limited company's meeting, recorded in the notarial protocol, on the management board or the executive directors being relieved of their obligation to prepare the division report but only if all members of the company being divided participated in the general meeting or the meeting of the company being divided.
- (7) It shall not be necessary to prepare a report intended for employees or a part of the report intended for them if all employees of the company and its subsidiaries are also members of the management board or executive directors of these companies.
- (8) It shall not be necessary to prepare the cross-border division report if it is not necessary to prepare a report for the company members nor a report for the employees of the company.

Cross-border division audit

Article 551d (OG 130/23)

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(1) In addition to the information and statements referred to in Article 550e of this Act, the report on the cross-border division audit must also contain a statement on the adequacy of the severance fee referred to in Article 551i of this Act. When assessing the adequacy of that fee, the auditor shall take into account the market price of company shares prior to the announcement of the proposal for division and the value of the commercial company, excluding the effect of the proposed division, by using the generally accepted valuation methods. The report shall also additionally contain:

1. methods used to determine the severance fee amount;
2. reasons why the use of these methods is appropriate;
3. if several methods have been applied, which amount of the severance fee would have resulted from the application of the different methods, which importance has been attached to the different methods in determining the severance fee and the value on which it rests, as well as which special valuation difficulties arose when determining the value.

(2) The report on the cross-border division audit shall also be prepared if the members of the company being divided acquire shares in the new companies in the same proportion as the shares they held in the company being divided.

Report of the supervisory board or the board of directors

Article 551e (OG 130/23)

The supervisory board or board of directors of the company being divided, if the company has such a body, shall review the draft terms of cross-border division and the cross-border division audit and prepare a written report on the intended division. The report shall also be prepared if the members of the new companies receive shares in the same proportion as the shares they held in the company being divided.

Preparation of the meeting that is to resolve on the division

Article 551f (OG 130/23)

(1) The company being divided must submit an application to the court of registration for the registration of the intention to carry out a cross-border division at least six weeks before the meeting at which the members of the company being divided will resolve on the division. Along with the intention to carry out the cross-border division, the court register shall register a notice to company members, creditors, works council or employees, if the company does not have a works council established, to submit their comments on the draft terms of division no later than five days before the meeting which is to resolve on the division. Instructions on how creditors, members and employees of the company being divided may exercise their rights shall also be entered in the court register. If the documents referred to in paragraph 6 of this Article are available on the company's website, the notice shall also state the website where such documents are available.

(2) The following shall be enclosed to the application referred to in paragraph 1 of this Article:

1. the draft terms of cross-border division;
2. the report of the management board or the executive directors on the cross-border division, if it is required;
3. the audit report on the division and the report of the supervisory board or the board of directors on the division, if such reports are required and the company wishes to publish them in accordance with the following subparagraph.

The draft terms of division and the report of the management board or the executive directors on the division must be made available on the court register website and via the system of interconnection of registers. If the company submits them with the application, the audit report on the division and the report of the supervisory board or the board of directors on the division shall also be made available in this way.

(3) In the notice of the intention to carry out a cross-border division, the company's members, creditors, works council or employees, if such council is not established, shall be advised of the period in which they shall have the right to submit to the company comments on the draft terms of division.

(4) In the notice of the meeting that is to resolve on the cross-border division, the following shall also be stated:

1. notice to members that the draft terms of division, the report of the management board and executive directors on the division, and, if they have been submitted to the court register, the division audit report and the report of the supervisory board or the board of directors, are available on the website of the court register;
2. notice to members that the documents referred to in paragraph 6 of this Article are available for inspection at the company's business premises and that the members are authorised to request that a copy of these documents be delivered to them, or, if these documents are published on the company's website where they can be downloaded free of charge, information on which website they were published;
3. notice that members, creditors and the works council or employees of the company directly, if such council has not been established, have the right to submit to the company their comments on the draft terms of division no later than five days before the meeting that is to resolve on the division.

(5) If the company being divided is a private limited company, at least one month must pass between the convening of the meeting that is to resolve on the cross-border division and the holding of such meeting.

(6) Simultaneously with the convening of the general meeting or the meeting that is to resolve on the division, the following shall be made available for inspection at the company's business premises in its seat:

1. the draft terms of division;
 2. the report of the management board or executive directors on the division, if it is required;
 3. the division audit report, if it is required;
 4. the report of the supervisory board or the board of directors on the division, if it is required;
 5. the company's annual financial statements for the preceding three financial years, and if the date on which the company's last annual financial statements were prepared is not the date on which the division took effect, the final report on the financial position of the company being divided must also be attached;
 6. if the last annual financial statements relate to a financial year which ended more than six months before the draft terms of division were drawn up, new financial statements bearing a date not more than three months before the draft terms of division were drawn up must also be appended, or a semi-annual statement drawn up in accordance with Article 465 of the Capital Market Act (Official Gazette, 65/18, 17/20, 83/21 and 151/22).
- (7) The financial statements referred to in paragraph 6, item 6, of this Article shall be prepared in accordance with the regulations applicable at the time when the last financial statements were prepared, and based on methods applied when the last financial statements were prepared. In doing so, write-offs, value adjustments and any material changes in the value of assets not visible in the books shall be taken into account up to the date on which such statements were prepared.

(8) Upon request, and at the company's cost, each member shall be provided with a copy of the document referred to in paragraph 6 of this Article. If a member has agreed to receive from the company information by electronic means, these documents may be transmitted to them by e-mail. A copy of the documents referred to in paragraph 6, items 1, 2, 5 and 6, of this Article shall be provided to the works council or to an individual employee, if such a council has not been established within the company, upon their request and at the cost of the company. A copy of the documents referred to in paragraph 6, items 1, 2, 5 and 6, of this Article shall be provided to the creditor of the company upon their request and at their cost.

(9) During the general meeting or the meeting of the company the documents referred to in paragraph 6 of this Article shall be made available for inspection by company members. At the start of the deliberations the management board or the executive directors must explain the draft terms of division and shall inform the company members of any material change in the company's assets and liabilities after the date of preparation of the draft terms of division. This in particular relates to any change that would justify a change in the share exchange ratio or a different allocation of shares in new companies, or justify a different amount of severance fee referred to in Article 551i of this Act. The management board or the executive directors must inform the general meeting or the meeting on all timely received comments from company members and creditors. The management board or the executive directors must also inform the general meeting or the company meeting on all timely submitted comments and opinions of the works council or individual workers, if such a council has not been established within the company, provided in connection with the information contained in the general part of the report on the draft terms of division and the part of such report intended for employees. The opinion of the works council or employees, if such a council has not been established, shall be appended to the report of the management board or the executive directors.

(10) The obligations of the company pursuant to paragraphs 6 and 7 of this Article shall not arise if during the same period of time the documents referred to in paragraph 6 of this Article have been made available on the company's website from which they can be downloaded free of charge.

Resolution on division

Article 551g (OG 130/23)

(1) Upon resolution of the general meeting or the meeting of the private limited company on the approval of the draft terms of division, the resolution on the division shall be deemed passed.

(2) The resolution thereon shall require a majority of not less than three quarters of the share capital represented at the general meeting of the company or the meeting of the private limited company at the passing of the resolution. The articles of association or the memorandum of association may provide for a larger majority and additional requirements, but it shall not provide that the resolution shall be adopted by votes representing more than nine tenths of the share capital represented at the general meeting of the company or the meeting of the private limited company at the passing of the resolution.

(3) The meeting may make the resolution approving the draft terms of division conditional upon its express consent on the manner of employee participation in the new companies formed in the process of division.

(4) The resolution on the division must be made in the form of a notarial deed. Such requirement shall be deemed met if the minutes of the meeting deciding on the division is kept by a notary public. The draft terms of division shall be attached to the resolution and the minutes of the meeting and shall form an integral part thereof.

Exclusion of grounds for challenging the resolution

Article 551h (OG 130/23)

The resolution on cross-border division shall not be challenged, except on the grounds referred to in Article 550k, paragraph 1, of this Act, nor on the grounds that the severance fee referred to in Article 551i of this Act is inadequate or on the grounds that the determination or explanations of the adequacy of the severance fee contained in the draft terms of division, the report of the management board or executive directors, the report of the division auditor, the report of the supervisory board or the board of directors, and the information published about it during the preparation of the meeting are not in accordance with the provisions of this Act.

Right to adequate severance fee

Article 551i (OG 130/23)

(1) Each company member who voted against the resolution on division and recorded their objection to that resolution in the minutes shall have the right to demand from the company being divided the payment of an adequate severance fee in money for the share they hold in the company being divided at the time of the resolution on acquisition.

(2) The right to adequate severance fee shall also belong to a member who recorded their objection to the resolution on division in the minutes, but voted in favour of the resolution on division:

1. if the division results in the exclusion or decrease of their special rights granted under the articles of association or the memorandum of association, or special rights relating to the management of the company, appointment of members of the management board or the supervisory board or board of directors, and transfer of shares in the company;
2. if the division is conducted in such a manner that the members of the company being divided are not allocated shares in the new companies in the same proportion as the shares they held in the company being divided, except if the division is carried out by separation, so that all shares in the new company or companies are acquired by the company being divided;
3. if the shares in the company being divided were freely transferable, and the new company's articles of association or memorandum of association stipulates that the shares are not transferable or that the transfer of shares requires the consent of the company or individual company members;
4. if the draft terms of division or amendment to the articles of association or memorandum of association of the company being divided impose property obligations on the member towards the companies involved in the division, that exceed the value of the obligations they had towards the company being divided before the division;
5. if the draft terms of division or amendment to the articles of association or memorandum of association of the company being divided impose property obligations towards third parties on a member or introduce their responsibility towards third parties for the obligations of the companies involved in the division, that exceed the amount of those obligations or responsibilities that they had before the division on the basis of being a member of the company being divided.

(3) The right to adequate severance fee in money shall also belong to a member of the company being divided that did not participate in the meeting at the time when the resolution on the division was passed if they were unlawfully prevented from participating in the meeting, the meeting was not properly convened or the subject matter of the resolution was not properly published.

(4) The request for the payment of adequate severance fee must be made by the member within one month from the conclusion of the meeting at which the resolution on the division was passed. The request is submitted to the company being divided, and the member may also send it by electronic means, to the e-mail address specified for that purpose in the draft terms of division. The request may also be recorded in the minutes at the meeting that resolved on the cross-border division. Voting against the resolution or recording an objection to that resolution in the minutes shall not be deemed as submitting a request for payment of adequate severance fee.

(5) All companies involved in the division shall be jointly and severally liable for the payment of adequate severance fee to each member who submitted a proper request for payment of consideration in a timely manner. The obligation to pay severance fee is conditional upon fact the cross-border division takes effect. The obligation to pay severance fee shall be due within fifteen days from the cross-border division taking effect. The draft terms of division shall regulate the rights of the company that paid the severance fee to the member towards other companies involved in the division.

(6) Each member of the company who submitted a request for the payment of an adequate severance fee in a timely manner may, no later than two months after the cross-border division takes effect, request the court having jurisdiction over the seat of the company being divided to determine the adequate amount of the severance fee in a non-contentious civil procedure. If more than one proceeding is pending, such proceedings shall be consolidated. The court decision on the amount of severance fee shall apply to all members who submitted a request for the payment of adequate severance fee, regardless of whether they participated in the proceedings in which such compensation was determined. If the court finds that the amount of the severance fee determined by the draft terms of division is inadequate and that a higher severance fee is adequate, it shall order the company to reimburse the company members that participated in the proceedings for the necessary costs of the proceedings.

(7) Notwithstanding the provisions of the draft terms of division on the exchange ratio of shares in the company being divided for shares in new companies, the member who submitted a request for the payment of severance fee shall not acquire shares in companies that are formed in the process of cross-border division. In the case of division by separation, upon the division taking effect the shares of that member in the company being divided shall be transferred to that company. In the course of acquisition, the restrictions that would normally apply to the acquisition of own shares or own business shares shall not apply. If during the acquisition the prerequisites that are normally required for the acquisition of own shares or own business shares are not met, the company shall dispose of them within one year, and if it fails to do so, it shall withdraw them in accordance with the rules that apply to the acquisition of own shares or own business shares.

(8) Each member who submitted a proper request for the payment of adequate severance fee in a timely manner shall have the right to demand that they be provided with security instrument to which the company's creditors are entitled in accordance with the provisions of Article 551j of this Act.

Protection of creditors of the company being divided

Article 551j (OG 130/23)

(1) Creditors of the company being divided shall be entitled to demand that they be provided with adequate security instrument for claims that exist but have not become due at the time of publication of the draft terms of division. The request for the provision of adequate security instrument shall be filed to the court referred to in Article 40 of this Act, having jurisdiction over the seat of the company being divided, within three months from the date of publication of the draft terms of division. The decision on the request shall be made in a non-contentious civil procedure. A creditor who requests security instrument shall demonstrate that the safeguards provided for creditors in the draft terms of division do not constitute an adequate security for his claim and that due to the cross-border division the performance of their claim will be significantly more difficult. The request for the provision of security instrument for a claim not yet due, conditional or contingent claim shall be limited to the estimated value of such claim as at the time of publication of the draft terms of division, based on a conscientious application of accounting standards.

(2) The provision of paragraph 1 of this Article shall be without prejudice to the appropriate application of the provisions of Article 550o, paragraphs 1, 4 and 5, of this Act.

(3) If, for any reason, the cross-border division does not take place, the obligation to provide security instrument for the implementation of the division shall cease. The security instruments that were provided for this purpose shall cease, and the creditor shall return what they received on that basis.

Application for registration of cross-border division in the register of the company being divided

Article 551k (OG 130/23)

(1) Upon meeting the requirements referred to in Articles 551 to 551j, the company that is the subject of cross-border division shall submit to the court of registration an application for registration of cross-border division in the court register. The application shall be submitted at least two months after the resolution on division was passed, to the court of registration having jurisdiction over the seat of the company being divided. The application shall be submitted by all members of the management board or the executive directors and the chairperson of the supervisory board or the board of directors, if the company has such body.

(2) The following shall be enclosed to the application:

1. the draft terms of division;
2. the resolution on cross-border division passed in the stipulated form;
3. comments submitted to the draft terms of division in accordance with the provisions of Article 551f;
4. the report of the management board or the executive directors on the cross-border division, or separate reports for the members or employees of the company, and if such reports are not required, appropriate proof thereof;

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5. the opinion of the works council on the division, or the corresponding opinion of the employees if such council has not been established within the company, and if such opinions have not been given, the statement of the members of the management board or executive directors confirming this;
6. the audit report on the division, and if it is not required, appropriate proof thereof;
7. the report of the supervisory board or the board of directors on the division, and if it is not required, appropriate proof thereof;
8. if one of the new companies is to be formed in the Republic of Croatia, the documents that shall, pursuant to the provisions of this Act regarding the formation of such a company, be enclosed for the purpose of the registration of that company in the court register;
9. if the division requires consent or authorisation of a national authority or institution vested with public authority, such consent or authorisation;
10. proof that the meeting that resolved on the division was prepared and convened in accordance with the provision of Article 551f, paragraph 1, of this Act;
11. the statement by a third party offering to make the payment in money, given in the prescribed form (Article 550b, paragraph 4);
12. statement of the management board or the executive directors of the company being divided that the company members who are entitled to it have been provided with the security instrument referred to in Article 550i, paragraph 8, of this Act, or that such security instrument has been provided to creditors who are entitled to it in accordance with the provisions of Article 551j of this Act;
13. statement of the management board or the executive directors of the company being divided that no action was filed to challenge the resolution of the meeting on the division within 30 days of the passing thereof, or that no action was filed to declare null the resolution by the date of the submission of the application, and if such an action was filed, statement that the claim was finally rejected or that the action was dismissed or withdrawn; the statement of the management board or the executive directors shall not be required if the application is accompanied by the statements of all the members made in the form of a notarial deed waiving their right to challenge the resolution the division or asserts that it is null, or a unanimous resolution of the general meeting of the public limited company or a unanimous resolution of the meeting of a private limited company to the same effect, recorded in the notarial protocol, but only if all members of the company being divided participated in the meeting;
14. statement of the management board or the executive directors of the company being divided that the rights of employees referred to in Article 551f, paragraph 4, item 3, of this Act have not been violated;
15. statement of the management board or the executive directors of the company being divided that negotiations with the employees have begun regarding the future employee participation in the companies involved in the division in accordance with special regulations;
16. statement of the management board or the executive directors of the company being divided that the company is not facing any grounds for bankruptcy or insolvency;
17. statement of the management board or executive directors on the number of employees in the company at the time the draft terms of division were drawn up and on the number and seats of its affiliated companies;
18. statement of the management board or the executive directors on the existence of due or open tax liabilities and liabilities based on other public contributions, on whether the company is subject to tax or other public law supervision, whether an administrative procedure or a dispute is pending against the company in order to establish the existence of a tax liability or other public law obligation and whether any misdemeanour or criminal proceedings is conducted against the company.

Certificate of division. Registration of division in the register where the company being divided is registered.

Article 551l (OG 130/23)

- (1) The court of registration shall examine, within three months from the submission of the application referred to in Article 551k of this Act, whether the company being divided has met all the requirements and performed all required actions with regard to the cross-border division.
- (2) If serious doubts are raised that the cross-border division is carried out for abusive or fraudulent purposes that may lead to or are aimed at evading or circumventing the law of the European Union or national law, or for the purpose of committing a criminal offence, the court may request additional information or documents, and may also perform additional activities, in accordance with the provisions of Article 551m of this Act. In that case, the time period referred to in paragraph 1 of this Article may be extended by further three months. If the court finds that the cross-border division is being carried out for such purposes, it shall reject the application for registration.

(3) If in exceptional and justified cases examination is not possible within the periods specified in paragraphs 1 or 2 of this Article due to the complexity of the cross-border division, the court shall notify the applicant, before the expiry of those periods, of the reasons for the delay.

(4) If it finds that the company has met all the requirements and performed all required actions for the cross-border division of the company referred to in Articles 551 to 551j of this Act, the court of registration shall enter in the court register:

1. the case number under which the cross-border division procedure is conducted in the register;
2. a note that the company being divided has met all the requirements and performed all required actions for the cross-border division of the company that are required for the issuance of the cross-border division certificate;
3. a note that the cross-border division will be registered in the court register of the company being divided only after all new companies involved in the division have been registered in the competent register or registers and after the court of registration has received the appropriate notification thereof.

(5) If the creditors of the company have submitted a request for the provision of security instrument referred to in Article 551.j or if the company members have submitted a request for the provision of security instrument referred to in Article 551i, the registration in the register shall not be carried out:

1. before the finality of the decision rejecting the request;
2. before the creditor or company member is provided with the security instrument in accordance with the court decision; or
3. before the finality of the decision partially rejecting the request and before the creditor or member of the company is provided with the security instrument in accordance with such court decision.

The company shall demonstrate that the members or creditors of the company who are entitled to it have been provided with adequate security instrument.

(6) After the registration referred to in paragraph 4 of this Article, the court of registration shall issue a certificate that the company being divided has met all the requirements and performed all required actions for cross-border division (certificate of division). This certificate shall be made available via the system of interconnection of registers.

(7) The court of registration having jurisdiction over the seat of the company being divided shall, upon being informed that all new companies involved in the division have been registered in the competent registers, register in the court register that the cross-border division of the company being divided has been carried out. The court of registration shall electronically notify the court having jurisdiction over the seat of each new company involved in the division about the date on which the cross-border division was registered in the register of the company being divided, and it shall deliver to it in the same manner an extract from the court register and the articles of association or memorandum of association of the company being divided.

(8) The corporate name and legal form of all other companies involved in the division, as well as the number under which each of these companies is registered in the respective register, shall be entered in the court register of the company being divided. If the company being divided is dissolved due to the division, the date on which the company was dissolved and a note that the dissolution is a consequence of the cross-border division shall be entered in the court register.

Notifications and information of the court of registration

Article 551m (OG 130/23)

(1) The court of registration may, in order to perform the examination referred to in Article 551l of this Act:

1. request the necessary information and documents from the company that is the subject of cross-border division;
2. request the necessary information and documents from public law entities in the country and in another Member State or a country party to the European Economic Area Agreement in which new companies involved in the division are to be formed in the process of cross-border division;
3. where appropriate, request the necessary information and documents from the special negotiating body;
4. appoint an auditor.

(2) If a national court is competent for the registration of a new company referred to in Article 551.n of this Act, that court and other national public law entities may, upon request, provide all the necessary information and the necessary documents at its disposal to the authority of another Member State or a country party to the European Economic Area Agreement competent for issuing a certificate of cross-border division.

Registration of new companies involved in the division

Article 551n (OG 130/23)

(1) A company that is the subject of cross-border division shall submit an application for registration of the formation of a new company as part of the cross-border division. The application shall be submitted to the court of registration having the jurisdiction over the planned seat of the new company.

(2) The following shall be enclosed to the application:

1. the draft terms of division;
2. where necessary, an agreement on the involvement of employees in determining their participation rights in the companies involved in the division.

No other documents referred to in Article 551k of this Act shall be enclosed to the application.

(3) A certificate of cross-border division issued by the authority competent for verifying the legality of the division under the law of the country in which the company being divided is registered shall be submitted to the court of registration. The certificate shall be submitted via the system of interconnection of registers. The submitted certificate shall be recognised as proof that all requirements have been met and all required actions for a cross-border division have been performed, which are required for such a division under the law of the country of the seat of the company being divided. The court of registration shall not register the formation of a new company involved in a cross-border division in the court register without a certificate of cross-border division.

(4) When registering the company, the court shall verify in particular whether all the prerequisites that are normally required for the formation of a new company have been met, and where necessary, whether an agreement on employee participation has been concluded in the companies involved in the division. When forming a company, the provisions of Article 550c, paragraphs 3 and 4, of this Act shall apply accordingly.

(5) In addition to the registration of the new company in the court register, a note that the company was registered in the process of cross-border division and a note that the formation of the new company shall take effect only when the valid cross-border division according to the law of the country of the company being divided shall also be entered. The court of registration competent for registering the formation of a new company shall inform ex officio the court competent for the company being divided of the fact that the new company involved in the division has been registered in the court register, specifying the date on which this was done.

(6) After the register in which the company being divided is registered informs the court of registration that the consequences of the cross-border division have come into effect, the court of registration having jurisdiction over the seat of the new company shall enter in the court register the date on which the legal consequences of the cross-border division took effect.

(7) The corporate name and legal form of the company being divided and all other companies involved in the division shall be registered in the court register of the new company involved in the division, as well as the number under which each of these companies is registered in their respective registers.

TITLE VIII TRANSFER OF ASSETS

Transfer of assets to public-law entities

Article 551o

(1) A public limited company may, without going into liquidation, transfer all its assets to the Republic of Croatia, a county, municipality or city.

(2) The provisions of this Act on the company being acquired shall apply accordingly to the company transferring its assets pursuant to paragraph 1 of this Article. Upon registration of the transfer of assets of a public limited company in the court register in which this company is registered, such company shall cease to exist. The company's assets and liabilities shall be transferred to the acquiring entity. Instead of the share exchange ratio, the type and amount of consideration for the transferred assets shall be determined.

Obligation to transfer company assets

Article 552

(1) An agreement whereby, except in the case of a merger by acquisition, merger by formation of a new company or division, a company undertakes to transfer to another all its things or things the value of which exceeds one quarter of

the share capital, where in the latter case this would imply a material structural change in the company, shall require, in order to be valid, the consent of the general meeting which shall be given in the form of a resolution passed as laid down in Article 301 of this Act unless this would result in a simultaneous change in the company's objects. The articles of association may provide for a larger majority or additional requirements.

(2) The agreement referred to in paragraph 1 of this Article shall be made available for inspection by shareholders at the company's seat as from the date of notice of the general meeting. Upon request, each shareholder shall be immediately provided with a copy of the agreement. The aforementioned duty shall not arise if the agreement is available on the company's website for the same period of time. The agreement shall also be made available to shareholders at the general meeting, and the company's management board or the executive directors shall explain it before the resolution on the granting of consent is passed. It shall be attached to the minutes of the general meeting.

(3) If the transfer of assets leads to the company's dissolution, a copy of the agreement on the transfer of assets certified by a notary public shall be attached to the application for the registration of the grounds for the company's dissolution.

TITLE IX CONVERSION OF COMPANIES

Chapter 1 GENERAL PROVISIONS

Definitions

Article 553

Any company may on the basis of a resolution of its bodies and in accordance with the provisions of Articles 553 to 582 of this Act change its form and continue carrying on its business as a company of a different form.

Time limit for conversion

Article 554

(1) A company shall not change its form prior to the expiry of two years from its registration in the court register or from the registration in the said register of the last change of form.

(2) The provision of paragraph 1 of this Article shall not apply to companies registered in the court register before the date of the start of application of this Act.

Exclusion of liquidation

Article 555

(1) A change of form shall not entail the company's liquidation.

(2) A company which goes into liquidation on the basis of a resolution of the company's bodies on the dissolution of the company or upon expiry of the period for which it was founded may change its form no later than the start of the distribution and the payment to members of amounts from the liquidation estate remaining after all the company's creditors have been satisfied.

(3) A company over whose assets bankruptcy proceedings have been instituted shall not change its form, except where the bankruptcy plan so provides.

Legal personality and registration in the register

Article 556

(1) Following its conversion, a company shall continue operating as the same legal person but of a different legal form.

(2) A company's conversion shall be registered in the court register.

Chapter 2 CONVERSION OF A PUBLIC LIMITED COMPANY INTO A PRIVATE LIMITED COMPANY

Requirements

Article 557

- (1) A public limited company may be converted into a private limited company.
- (2) The conversion resolution shall be passed by the company's general meeting. Such resolution shall require a majority of not less than nine tenths of the share capital represented at the passing of the resolution. The articles of association may provide for a larger capital majority and additional requirements.
- (3) If there is more than one class of shares, the resolution of the general meeting shall require the consent of the shareholders of each class of shares. Such consent shall require a separate resolution by the shareholders of each class. The provisions of paragraph 2 of this Article shall apply.
- (4) The minutes of the general meeting shall specify which shareholders voted either in person or by proxy for the conversion resolution and which shareholders withheld their consent to such resolution.

Contents of the resolution

Article 558

The conversion resolution shall include the following:

1. the corporate name of the public limited company and the corporate name of the private limited company;
2. the full names or corporate names of members of the private limited company and the par values of their shares;
3. a reference to the memorandum of association that is attached to the resolution and forms an integral part thereof.

Exchange of shares

Article 559

- (1) Upon the conversion of a public limited company into a private limited company, shareholders shall become members of the private limited company and in exchange for their shares in the public limited company shall acquire shares in the private limited company in proportion to the par value of their shares or, in the case of no-par-value shares, the portion of the share capital allocated to their shares.
- (2) For certain shareholders, the conversion resolution may determine a par value of the shares in the private limited company that is not proportional to the par value of their shares in the public limited company or, in the case of no-par-value shares, to the portion of the share capital allocated to their shares, subject to express consent of the shareholders adversely affected by such resolution. Such consent shall be provided in the form of a notarial deed.
- (3) The provisions of Article 230, paragraphs 3 and 4, and Article 364, paragraphs 1 and 2, of this Act shall apply accordingly to the exchange of shares in the public limited company for shares in the private limited company.

Registration in the court register

Article 560

- (1) Upon the passing of the conversion resolution, the private limited company shall submit to the court of registration an application for registration of the conversion in the court register.
- (2) The following shall be attached to the application for registration of the conversion in the court register:
 1. the conversion resolution;
 2. the list of company members and the par values of their respective shares, and if the shareholders are not known, the numbers of their share certificates and the corresponding shares in the private limited company;
 3. where necessary, the statements referred to in Article 559, paragraph 2, of this Act;
 4. the full names of the members of the private limited company's management board, their domiciles and personal identification numbers.

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(3) A statement by the members of the public limited company's management board or the executive directors on the number of shareholders that participated either in person or by proxy in the work of the general meeting and on the number of those that did not shall be attached to the application.

Effect of registration

Article 561

Upon registration of the conversion in the court register:

1. the public limited company continues to operate as a private limited company;
2. shares in the public limited company become shares in the private limited company allocated to former shareholders and now members of the private limited company and determined by their number and par value, or in the case of no-par-value shares, the share capital allocated to such no-par-value shares;
3. the rights acquired by third parties in the shares in the public limited company shall continue to apply with respect to the shares in the private limited company into which the former have been converted;
4. unless the conversion resolution provides otherwise, members of the public limited company's management board or the executive directors and members of the public limited company's supervisory board or board of directors shall become members of the private limited company's management board and supervisory board, provided the company has a supervisory board.

Special rights of shareholders

Article 562

(1) Upon request of a shareholder that voted against the resolution on the conversion of a public limited company into a private limited company, the company shall buy back this shareholder's share against the payment of an adequate monetary severance fee provided that such shareholder has made an application for this purpose within two months after the publication of the registration of the conversion in the court register. If an action to challenge the conversion resolution has been filed, the said period shall start to run on the day such action was rejected or the claim dismissed by a final decision. The shareholder may waive this right by an express written statement.

(2) The shareholder and the company shall agree on the amount of monetary severance fee to be paid for the bought-back share referred to in paragraph 1 of this Article. If such agreement is not reached within 30 days from the date the shareholder made the application referred to in paragraph 1 of this Article, the company shall pay the shareholder adequate consideration set by the court upon motion by the shareholder or the company. With respect thereto, the provision of Article 211 of this Act shall be taken into account. In the case of two or more proceedings, the court shall consolidate them. If the court sets the adequate amount of consideration, it shall order the company to reimburse the shareholders that participated in the proceedings for the costs of proceedings.

(3) An action to challenge the resolution referred to in Article 557, paragraph 2, of this Act shall not be filed for the reason that the consideration referred to in the previous paragraph has not been paid or is inadequate.

Protection of creditors

Article 563

Creditors of the company whose claims antedate the publication of the registration of the company's conversion in the court register may within six months of the registration of the conversion in the said register request to be granted security insofar as their claims are not yet due. The publication of the registration of the company's conversion in the court register shall refer to this right of creditors.

Chapter 3 CONVERSION OF A PRIVATE LIMITED COMPANY INTO A PUBLIC LIMITED COMPANY

Requirements

Article 564 (OG 130/23)

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Companies Act, Zakon.hr

OG 111/93, 34/99, 121/99, 52/00, 118/03, 107/07, 146/08, 137/09, 125/11, 152/11, 111/12, 68/13, 110/15, 40/19, 34/22, 114/22, 18/23, 130/23, 136/24

- (1) A private limited company may be converted into a public limited company pursuant to the meeting's resolution.
- (2) The provisions of this Act governing amendments to the memorandum of association of a private limited company shall apply accordingly to the conversion of a private limited company.
- (3) If shares in a private limited company may be assigned only with the consent of one or more company members, a company shall not be converted without the consent of those members.
- (4) If, in addition to the obligation to pay up shares, a member of a private limited company has other obligations towards the company which on the occasion of the company's conversion they cannot fulfil, such member shall also consent to the conversion resolution.

Contents of the resolution

Article 565

- (1) The conversion resolution shall specify the following:
 1. the corporate name of the private limited company and the corporate name of the public limited company;
 2. the amount of the share capital and, in the case of par-value shares, the number and par value of shares;
 3. the public limited company's articles of association;
 4. the full names of members of the public limited company's management board or the executive directors and members of its supervisory board or board of directors;
 5. the full names of company members that voted in favour of the conversion.
- (2) If the conversion resolution specifies the par value of a share that is not lower than the minimum value laid down in Article 163, paragraph 1, of this Act, but the aggregate par value of shares or the portion of the share capital allocated to no-par-value shares that is to be allocated to a shareholder is not equal to the par value of their share in the private limited company, the shareholder adversely affected thereby shall consent to the resolution by giving a statement in the form of a notarial deed.

Formation review and liability of company members

Article 566

- (1) Unless the provisions of this Chapter provide otherwise, the provisions of Articles 175 and 176, Articles 181 to 184, Article 188, and Articles 191 to 194 of this Act shall apply accordingly to the conversion of private limited companies into public limited companies.
- (2) The report referred to in Article 181 of this Act shall contain information on the private limited company's business activities and condition.

Exchange of shares

Article 567

- (1) The provisions of Article 230 of this Act on the cancellation of share certificates by means of redemption procedure shall apply accordingly to the exchange of shares in a private limited company for shares in a public limited company.
- (2) The provisions of Article 346 of this Act on the cancellation of share certificates shall apply accordingly to the consolidation of shares.
- (3) No court approval shall be required either for the exchange of shares in a private limited company for shares in a public limited company or for consolidation of shares.

Registration in the court register

Article 568

- (1) Upon the passing of the conversion resolution, the public limited company shall submit to the court for registration an application for registration of the conversion in the court register.

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(2) The following shall be attached to the application for registration of the conversion in the court register:

1. the conversion resolution;
2. the full names, personal identification numbers and domiciles of members of the public limited company's management board or the executive directors and members of its supervisory board or board of directors;
3. the audit reports of members of the management board or the executive directors, members of the supervisory board or board of directors and auditors on the audit performed pursuant to Articles 182 and 183 of this Act, together with the corresponding documents.

(3) In addition to the registration of the conversion of a private limited company into a public limited company, the full names, personal identification numbers and domiciles of members of the supervisory board shall be published.

Effect of registration

Article 569

Upon registration of the conversion in the court register:

1. the private limited company shall continue to operate as a public limited company;
2. the shares in the private limited company shall be exchanged for shares in the public limited company;
3. the rights acquired by third parties in the shares in the private limited company shall continue to apply with respect to the shares in the public limited company into which the former have been converted;
4. unless the conversion resolution provides otherwise, members of the private limited company's management board or the executive directors shall become members of the public limited company's management board, and members of the private limited company's supervisory board shall become members of the public limited company's supervisory board or board of directors.

Special rights of company members

Article 570

(1) Upon request of a company member that recorded in the minutes their vote against the resolution on the conversion of a private limited company into a public limited company, the company shall buy back this company member's shares if such company member has made an application for this purpose within two months after the publication of the registration of the conversion in the court register. The company member may waive this right by an express written statement.

(2) The company member and the company shall agree on the amount of monetary severance fee to be paid for the bought-back shares referred to in paragraph 1 of this Article. If such agreement is not reached within 30 days from the date the company member made the application referred to in paragraph 1 of this Article, the company shall offer in the name and for the account of the company member the company member's shares for sale on the regulated market or, if the shares are not admitted to trading on a regulated market, by public auction, and shall hand over to the company member, upon deduction of the costs of the sale, the amount achieved from the sale. The provisions of Article 346, paragraph 4, of this Act shall apply accordingly to the sale referred to in this paragraph.

(3) An action to challenge the conversion resolution shall not be filed for the reason that the consideration referred to in the previous paragraph has not been paid.

(4) The provisions of paragraphs 1 and 2 of this Article shall not restrict a company member's right to freely dispose of their shares by transferring them to other persons. In such case, restrictions on the right to transfer shares contained in the company's articles of association shall not apply.

Chapter 4 CONVERSION OF A PUBLIC LIMITED COMPANY INTO A GENERAL PARTNERSHIP OR A LIMITED PARTNERSHIP

Requirements

Article 571

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(1) A public limited company may be converted into a general partnership pursuant to a resolution of the general meeting.

(2) All present shareholders shall vote for the resolution on the conversion of a public limited company into a general partnership. The shareholders that did not participate in the general meeting shall consent to the conversion by giving a statement in the form of a notarial deed.

Contents of the conversion resolution and procedure

Article 572

(1) The conversion resolution shall specify the following:

1. the corporate name of the public limited company and the corporate name of the general partnership into which the former is to be converted;
2. the full names of all company members and their respective shareholdings;
3. a reference to the partnership agreement attached to the resolution and forming an integral part thereof.

(2) All company members shall expressly accept the partnership agreement in the form of a notarial deed.

(3) The general meeting resolving on the conversion shall be provided with financial statements drawn up as at the date from which members of the general partnership are to participate in the partnership's profits and losses. If this is to be after the general meeting resolves on the conversion, the financial statements shall bear a date not more than sixth months preceding the passing of this resolution. Such statements shall be attached to the minutes of the general meeting.

Registration in the court register

Article 573

(1) Upon the passing of the conversion resolution, the general partnership shall submit to the court of registration an application for registration of the conversion in the court register.

(2) The following shall be attached to the application for registration of the conversion in the court register:

1. the conversion resolution;
2. the list of members of the general partnership;
3. the statements of company members on their acceptance of the partnership agreement;
4. the statements of members that did not participate in the general meeting on the granting of consent referred to in Article 571, paragraph 2, of this Act given in the form of a notarial deed.

(3) The provisions of Article 70 of this Act shall apply accordingly to the registration of a public limited company's conversion into a general partnership.

Effect of registration

Article 574

Upon registration of the conversion in the court register:

1. the public limited company shall continue to operate as a general partnership;
2. the members of the general partnership shall be subject to personal, unlimited, joint and several liability to the partnership's creditors also for those company obligations that arose prior to the registration of the conversion in the court register;
3. the members of the public limited company's management board or the executive directors and members of its supervisory board or board of directors shall lose all their powers.

Conversion on the basis of a decision of the majority of shareholders

Article 575 (OG 118/03)

Deleted.

Conversion of a public limited company into a limited partnership

Article 576

The provisions of Articles 571 to 574 of this Act shall apply accordingly to the conversion of a public limited company into a limited partnership. Limited partners and their contributions into the limited partnership shall be specified in the decision of the general meeting of the public limited company on the company conversion into a limited partnership.

Chapter 5 CONVERSION OF A PRIVATE LIMITED COMPANY INTO A GENERAL PARTNERSHIP OR A LIMITED PARTNERSHIP

Application of the provisions on the conversion of public limited companies

Article 577

The provisions of this Act on the conversion of public limited companies into general and limited partnerships shall apply accordingly to the conversion of private limited companies into general and limited partnerships.

Chapter 6 CONVERSION OF PARTNERSHIPS INTO CORPORATIONS

Requirements

Article 578

Pursuant to a resolution of all members a general partnership and a limited partnership may be converted into a public limited company.

Contents of the conversion resolution and procedure

Article 579

(1) The conversion resolution shall specify the following:

1. the corporate name of the general or limited partnership and the corporate name of the public limited company;
2. the amount of the share capital, number and class of shares, and other amendments to the articles of association required for the conversion into a public limited company;
3. the full names of members of the company's management board or the executive directors and members of the supervisory board or board of directors.

(2) Members of the general partnership or limited partnership shall be presented with the financial statements for the preceding financial year and the last periodic financial statements so that they can resolve on the conversion into a public limited company. If financial statements are required to reach a settlement with partners, they shall be drawn up as at the date relevant for that purpose. The statements shall be attached to the minutes.

Registration in the court register

Article 580

(1) Upon the passing of the conversion resolution, the general partnership or the limited partnership shall submit an application for registration of the conversion in the court register.

(2) The following shall be attached to the application for registration of the conversion in the court register:

1. the conversion resolution;
2. statements by all members of the general partnership or all general partners granting consent to the conversion resolution, made in the form of a notarial deed;
3. the list of shareholders, including the number of shares allocated to each of them;
4. the full names of members of the public limited company's management board or the executive directors and members of the company's supervisory board or board of directors, including their respective personal identification numbers;

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5. audit reports of members of the management board or the executive directors, members of the supervisory board or board of directors and auditors on the audit performed pursuant to Articles 182 and 183 of this Act.

Effect of registration

Article 581

Upon registration of the conversion in the court register:

1. the general or limited partnership shall continue to operate as a public limited company;
2. members of the general partnership or general and limited partners in the limited partnership shall become shareholders in proportion to their previous shares in the partnership;
3. the conversion shall not affect the liability of members of the general partnership or limited partnership for the obligations assumed by the partnership.

Conversion into a private limited company

Article 582

The provisions of Articles 578 to 581 of this Act shall apply accordingly to the conversion of a general or limited partnership into a private limited company.

Chapter 7 CROSS-BORDER CONVERSION

Concept of cross-border conversion

Article 582a (OG 130/23)

- (1) Cross-border conversion means a conversion whereby a company registered in the Republic of Croatia changes its legal form and seat and continues to operate as a company registered in another Member State or a country party to the European Economic Area Agreement. The provisions of this section shall apply to such conversion until the certificate of conversion is issued.
- (2) Cross-border conversion shall also mean a conversion whereby a company registered in another Member State or a country party to the European Economic Area Agreement changes its legal form and seat and continues to operate as a company registered in the Republic of Croatia. The provisions of this section shall apply to such conversion from the moment the certificate of conversion is issued.
- (3) A change of legal form shall also be deemed to occur when one of the companies changes its legal form to a functionally and linguistically equivalent legal form in another Member State.
- (4) The provisions of the Labour Act (Official Gazette, 93/14, 127/17, 98/19, 151/22 and 64/23) on the transfer of employment contracts to a new employer and employee participation, of the Act on European Works Councils (Official Gazette, 93/14 and 127/17) and of the Act on the Employee Participation in a European Company (SE) and in a European Cooperative Society (SCE) (Official Gazette, 93/14) shall apply to matters relating to resolutions on cross-border conversion considered important for the position of employees which are not regulated by the provisions of this Act.
- (5) Unless otherwise provided for by the provisions of this Chapter, the provisions of Chapters 1 to 3 of Title IX of this part of the Act shall apply accordingly to cross-border conversions. Article 554 of this Act shall not apply.
- (6) The provisions of this section shall not apply to conversions involving:
1. a company in liquidation that has begun to distribute assets to its members;
 2. a company subject to bankruptcy or pre-bankruptcy proceedings, or extraordinary administration procedure in companies of systemic importance for the Republic of Croatia or a company that is subject to corresponding proceedings in other Member States;
 3. a company subject to resolution tools, powers or mechanisms provided for in the Act on Resolution of Credit Institutions and Investment Firms, or a company subject to the corresponding tools, powers or mechanisms of other Member States;
 4. a company aimed at collective investing of capital raised from the public, operating on the principle of risk-spreading, and whose shares are, at the request of their holders, repurchased or redeemed, directly or indirectly, out of that company's assets, which also includes actions undertaken by such company to ensure that the stock exchange value of their shares does not materially deviate from their net asset value.

Companies that may take part in cross-border conversion

Article 582b (OG 130/23)

(1) Among the companies registered in the Republic of Croatia, the companies that may take part in cross-border conversion shall be public limited companies and private limited companies.

(2) Of the companies registered in another country, the companies that may take part in cross-border conversion shall be the ones listed in Annex II to the Directive (EU) 2017/1132.

Draft terms of conversion

Article 582c (OG 130/23)

(1) The management board or the executive directors of the company being converted as part of a cross-border conversion shall draw up draft terms of conversion.

(2) The draft terms of conversion shall contain at least the following information:

1. the company's legal form, corporate name and seat;
2. legal form, corporate name and seat of the converted company;
3. the articles of association or the memorandum of association of the converted company;
4. proposed indicative timetable for cross-border conversion;
5. the participation of the previous members of the converted company, according to the rules applicable to that company, including the number, value and type of shares that the members will acquire as a result of the conversion;
6. the rights acquired in the converted company by members who held special rights, as well as holders of securities other than shares, or measures proposed in relation thereto;
7. security instruments offered to the company's creditors;
8. special advantage granted to the members of the management and supervisory bodies of the company;
9. overview of incentives and subsidies received by the company in the last five years;
10. details of the offer of monetary consideration in accordance with Article 582h;
11. expected effect of cross-border conversion on employment;
12. where necessary, information on procedures that determine the details of employees' involvement in determining their participation rights in the converted company.

(3) The draft terms of conversion shall be drawn up in the form of a notarial deed or a private document certified by a notary public.

Report on conversion

Article 582d (OG 130/23)

(1) The management board or the executive directors of the company being converted as part of a cross-border conversion shall prepare a report on the conversion. The report shall contain the explanation of the legal and economic aspects of cross-border conversion to company members and employees, as well as the consequences of cross-border conversion for employees.

(2) The report shall in particular elaborate on the effects of the cross-border conversion on the future business operations of the company and its subsidiaries. The report shall include a part intended for company members and a part intended for employees.

(3) Instead of a single report, the company may decide to separately prepare a report intended for company members and a report intended for employees. Each of these reports shall contain a general part and a part intended for company members and employees respectively.

(4) The part of the report intended for company members shall in particular explain:

1. consequences of cross-border conversion for the company members;
2. the right of members to request monetary consideration in accordance with Article 582h of this Act, as well as the method used to determine that consideration.

(5) The part of the report intended for employees shall in particular explain:

1. consequences of cross-border conversion for employment relationships and, where necessary, measures for their protection;
2. any significant changes of the conditions of employment or the company's place of business;

3. the impact of the factors set out in items 1 and 2 of this paragraph on the subsidiaries of the company being converted.

(6) It shall not be necessary to prepare the part of the report intended for company members if the company only has only one member, or if all company members state, in the form of a notarial deed or a private document certified by a notary public, that they agree that part is not be prepared. It shall not be necessary to prepare the part of the report intended for employees if the company or its subsidiaries do not have employees who are not also members of the management board or executive directors. If it is not necessary to prepare a part of the report intended for company members, nor a part intended for company employees, it shall not be necessary to prepare a conversion report at all.

Conversion audit. Report of the Supervisory Board, i.e., Board of Directors

Article 582e (OG 130/23)

(1) The draft terms of conversion must be reviewed by the conversion auditor. The conversion auditor shall be appointed by the court referred to in Article 40 of this Act.

(2) The auditor shall prepare a written report on the performed audit. This report shall be available in electronic form to the company members no later than one month before the meeting that is to resolve on the conversion.

(3) The report shall contain the auditor's opinion on whether the offered monetary consideration is adequate. The auditor shall use generally accepted valuation methods, taking into account the market price of company shares prior to the announcement of the conversion or the value of the company irrespective of the announced conversion. In particular, the report shall state:

1. method or methods used for determining the offered monetary consideration;
2. whether this method or methods are appropriate for determining the monetary consideration, the value obtained by using them, as well as an opinion on the relative importance attached to them for the obtained value; and
3. special difficulties that have arisen in the valuation.

(4) The auditor may request from the company any information necessary for the preparation of the report.

(5) The provisions governing the audit shall apply to the liability of the auditor, their assistants and the legal representatives of the company being converted.

(6) Conversion audit shall not be required if all company members state, in the form of a notarial deed or a private document certified by a notary public, that they agree that the audit shall not be performed.

(7) The supervisory board or board of directors of the company being converted, if the company has such a board, shall review the draft terms of cross-border conversion and its audit and prepare a written report on the intended conversion. The report of the supervisory board or the board of directors shall not be necessary if the report of the management board or the executive directors is not necessary either.

Registration of intention to carry out cross-border conversion

Article 582f (OG 130/23)

(1) The company must submit to the court of registration an application for the registration of the intention to carry out cross-border conversion no later than six weeks before the meeting that is to resolve on the conversion.

(2) For the purpose of implementing the cross-border conversion, the court register shall enter a notice to company members, its creditors, works council or employees, if the company does not have a works council established, to submit their comments on the draft terms of conversion no later than five days before the meeting which is to resolve on the conversion. Instructions on how creditors, members and employees of the company being converted may exercise their rights shall also be entered in the court register. If the documents referred to in Article 582g, paragraph 4, of this Act are available on the company's website, the notice shall also state the website where such documents are available.

(3) The following shall be enclosed to the application referred to in paragraph 1 of this Article:

1. the draft terms of cross-border conversion;
2. the report of the management board or the executive directors on the cross-border conversion, if it is required;
3. the audit report on the conversion and the report of the supervisory board or the board of directors on the conversion, if they are required and the company wishes to publish them in accordance with the following subparagraph.

The draft terms of cross-border conversion and the report of the management board or the executive directors on the conversion must be made available on the website of the court register and via the system of interconnection of registers. If the company submits them with the application, the audit report on the conversion and the report of the supervisory board or the board of directors on the conversion shall also be made available in this way.

Resolution of the meeting

Article 582g (OG 130/23)

- (1) The meeting of the company shall pass a resolution on conversion by which it shall adopt the draft terms of conversion, including possible amendments to the articles of association or the memorandum of association.
- (2) The notice of the meeting that is to resolve on the cross-border conversion must also include:
1. notice to members that the draft terms of conversion, the report of the management board and executive directors on the conversion, and, if they have been submitted to the court register, the conversion audit report and the report of the supervisory board or the board of directors, are available on the website of the court register;
 2. notice to members that the documents referred to in paragraph 4 of this Article are available for inspection at the company's business premises and that the members are authorised to request that a copy of these documents be delivered to them, or, if these documents are published on the company's website where they can be downloaded free of charge, information on which website they were published;
 3. notice that members, creditors and the works council or directly the employees of the company, if such council has not been established, have the right to submit to the company their comments on the draft terms of conversion no later than five days before the meeting that is to resolve on the conversion.
- (3) If the company being converted is a private limited company, at least one month must pass between the convening of the meeting that is to resolve on the cross-border conversion and the holding of such meeting.
- (4) Simultaneously with the convening of the general meeting or the meeting, that is to resolve on the conversion, the following shall be made available for inspection at the company's business premises in its seat:
1. the draft terms of conversion;
 2. the report of the management board or executive directors on the conversion, if it is required;
 3. audit report on the draft terms of conversion, if it is required;
 4. the report of the supervisory board or the board of directors on the conversion, if it is required.
- (5) Upon request, and at the company's cost, each member shall be provided with a copy of the document referred to in paragraph 4 of this Article. If a member has agreed to receive from the company information by electronic means, these documents may be transmitted to them by e-mail. A copy of the documents referred to in paragraph 4, items 1 and 2, of this Article shall be provided to the works council or to an individual employee, if such a council has not been established within the company, upon their request and at the cost of the company. A copy of the documents referred to in paragraph 4, items 1 and 2 of this Article shall be provided to the creditor of the company upon their request and at their cost.
- (6) During the general meeting or the meeting of the company documents referred to in paragraph 4 of this Article shall be made available for inspection by company members. At the start of the deliberations the management board or executive directors must explain the draft terms of conversion and shall inform the company members of any material change in the company's assets and liabilities after the date of preparation of the draft terms of conversion. This shall in particular apply to changes that would justify a different amount of severance fee referred to in Article 582h of this Act. The management board or the executive directors must inform the general meeting or the meeting on all timely received comments from company members and creditors. The management board or the executive directors must also inform the general meeting or the company meeting on all timely submitted comments and opinions of the works council or individual employees if such a council has not been established within the company, provided in connection with the information contained in the report of the management board or the executive directors on the conversion. The opinion of the works council or employees, if such a council has not been established, shall be appended to the report of the management board or the executive directors.
- (7) The obligations of the company pursuant to paragraphs 4 and 5 of this Article shall not arise if during the same period of time the documents referred to in paragraph 4 of this Article have been made available on the company's website from which they can be downloaded free of charge.
- (8) The resolution on conversion shall require a majority of not less than three quarters of the share capital represented at the general meeting of the company or the meeting of the private limited company at the passing of the resolution. The articles of association or the memorandum of association may provide for a larger majority and additional requirements, but it shall not provide that the resolution shall be adopted by votes representing more than nine tenths of the share capital represented at the general meeting of the company or the meeting of the private limited company at the passing of the resolution. In addition to the above, Article 557 of this Act shall apply accordingly to the resolution of the general meeting of a public limited company, and Article 564 of this Act to the resolution of the meeting of a private limited company.

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(9) The meeting may make the resolution adopting the draft terms of conversion conditional upon its express consent on the manner of employee participation.

(10) The resolution on the conversion must be made in the form of a notarial deed. Such requirement shall be deemed met if the minutes of the meeting deciding on the conversion is kept by a notary public. The draft terms of conversion shall be attached to the resolution and the minutes of the meeting and shall form an integral part thereof.

(11) An action to challenge or declare null the resolution of the general meeting on the conversion may only be filed within 30 days after the passing of the resolution. The resolution of the general meeting on conversion may not be challenged or declared null after the legal consequences of the conversion take effect in accordance with Article 582m, paragraph 6, of this Act.

Monetary consideration

Article 582h (OG 130/23)

(1) Within the draft terms of conversion, the company shall offer to each member who voted against the resolution on conversion and recorded their objection in the minutes that it will buy their shares and pay them an adequate monetary consideration. Such acquisition of shares or business shares shall not constitute a prohibited acquisition of own shares or own business shares. The draft terms of conversion shall include an e-mail address to which the members may submit their acceptance of the offer.

(2) The members may accept the offer within one month from the conclusion of the meeting that passed the resolution on conversion. The agreement on the purchase of shares shall be concluded subject to a suspensive condition that the conversion has taken effect.

(3) If the members accepted the offer, the converted company shall pay them the compensation within one month of the conversion taking effect.

(4) The resolution of the meeting shall not be challenged on the grounds that the monetary consideration is not adequate, that it has not been paid, or that the necessary relevant notices have not been given.

(5) If a member referred to in paragraph 1 of this Article considers that the amount of the monetary consideration has been set too low, within one month of the conversion taking effect, they may request the court referred to in Article 40 of this Act to determine an adequate consideration. That court shall remain competent to decide on the adequacy of the consideration even after the company transfers its seat to another country upon conversion.

(6) If more than one proceeding is pending, such proceedings shall be consolidated. If the court rules that the monetary consideration has been set too low, it shall order the company to reimburse the members that participated in the proceedings for the necessary costs of the proceedings.

Protection of creditors

Article 582i (OG 130/23)

(1) Creditors of a company being converted may request that the company provide them with a security instrument if:

1. their claims arose before the publication of the draft terms of conversion;
2. their claims were not yet due at the time of publication of the draft terms of conversion;
3. due to the cross-border conversion, the performance of their claims is endangered.

(2) The company's creditors may, within three months from the date of publication of the draft terms of conversion, request the court of registration competent to issue a certificate of conversion not to register the conversion before they are provided with the security instrument in accordance with paragraph 1 of this Article. The request must specify the value of the security and make plausible that the requirements for their request referred to in paragraph 1 of this Article have been met, as well as that the security instrument offered in the draft terms of conversion does not meet that request. Creditors who have filed such a request shall participate in the registration procedure of the conversion.

(3) If the court grants the request, in whole or in part, it shall set an appropriate time period for the company being converted to provide the security instrument and to submit to the court proof thereof in an appropriate form.

(4) The security instruments provided to the creditor in accordance with the provisions of this Article shall cease if the conversion does not occur, for example because the registration of the conversion in one of the registers has been finally rejected. The creditor who was provided with the security instrument shall return what they received on that basis.

(5) A Croatian court shall also have international jurisdiction to decide on an action whereby a creditor demands the performance of some of their claims against the company that underwent cross-border conversion if all the following requirements have been met:

– the company had its seat in the Republic of Croatia before the cross-border conversion,

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- the claim arose before the publication of the draft terms of conversion,
- the action was filed within two years from the cross-border conversion taking effect, and
- the Croatian court would have had international jurisdiction even if the company had not undergone cross-border conversion.

The jurisdiction of a national court shall be determined according to the last seat of the company prior to the cross-border conversion. The jurisdiction of that court shall not be affected by the fact that the company has transferred its seat to another country or that, according to national or EU regulations, other courts may also have jurisdiction.

Application to the court of registration

Article 582j (OG 130/23)

(1) Upon meeting the requirements referred to in Articles 582b to 582i of this Act, a company that is the subject of cross-border conversion as referred to in Article 582a, paragraph 1, of this Act, shall submit to the court of registration an application for the registration of such conversion in the court register of the court competent for that company.

(2) The following shall be enclosed to the application referred to in paragraph 1 of this Article:

1. a copy or certified original of the draft terms of conversion referred to in Article 582c of this Act;
2. a copy of the comments submitted to the draft terms of conversion referred to in Article 582f, paragraph 2, of this Act;
3. a copy of the opinion of the works council or, if there is no such council, of the company employees referred to in Article 582e, paragraph 8, of this Act, which shall be enclosed together with the report on the conversion referred to in Article 582e, paragraph 1, of this Act.

(3) Together with the application, the members of the management board or the executive directors of a company that is the subject of cross-border conversion shall provide a statement:

1. that all company creditors have been provided with security instrument in accordance with Article 582c, paragraph 2, item 7, of this Act;
2. that the rights of employees referred to in Article 582f, paragraph 2, and Article 582e, paragraph 7, of this Act have been respected;
3. that negotiations have begun with the employees on the future employee participation in the company in accordance with special regulations;
4. that the resolution of the meeting referred to in Article 582g, paragraph 1, of this Act has not been challenged within the prescribed period or that an action to challenge was finally rejected;
5. on the number of employees of the company at the time the draft terms of conversion were drawn up;
6. on the number and seats of affiliated companies with the company that is the subject of cross-border conversion;
7. on the existence of due or open tax liabilities and liabilities based on other public contributions, on whether the company is subject to tax or other public law supervision, whether an administrative procedure or a dispute is pending against the company in order to establish the existence of a tax liability or other public law obligation and whether any misdemeanour or criminal proceedings is conducted against the company.

Certificate of conversion

Article 582k (OG 130/23)

(1) Within three months from the submission of the application referred to in Article 582j, paragraph 1, of this Act, the court of registration shall examine whether all requirements have been met and all actions required for the cross-border conversion of the company have been performed. If the requirements referred to in the previous sentence have not been met, the court of registration shall deny the registration of the cross-border conversion of the company in the court register.

(2) If serious doubts are raised that the cross-border conversion is carried out for abusive or fraudulent purposes that may lead to or are aimed at evading or circumventing the law of the European Union or national law, or for the purpose of committing a criminal offence, the court may request additional information or documents, and may also perform additional activities. In that case, the time period referred to in paragraph 1 of this Article may be extended by further three months. If the court finds that the cross-border conversion is being carried out for such purposes, it shall reject the application for registration.

(3) If in exceptional and justified cases examination is not possible within the periods specified in paragraphs 1 or 2 of this Article due to the complexity of the cross-border conversion, the court shall notify the applicant, before the expiry of those periods, of the reasons for the delay.

(4) The following shall be entered in the court register:

1. the case number under which the cross-border conversion procedure is conducted in the register;
2. that all requirements have been met and that all actions required for the cross-border conversion have been performed.

In addition to the registration in the court register, a note shall also be entered that the cross-border conversion referred to in Article 582a, paragraph 1, of this Act shall take effect when the cross-border conversion takes effect according to the law of the country to which the company that is the subject of cross-border conversion has transferred its seat.

(5) Entry in the court register referred to in paragraph 1 of this Article shall not be performed before the expiry of the time periods referred to in Article 582h, paragraph 2, and Article 582i, paragraph 2, of this Act. If all the company members have agreed to the resolution on conversion, the entry may be performed before the expiry of the time period referred to in Article 582h, paragraph 2, of this Act. In the case of a request referred to in Article 582i, paragraph 2, of this Act, the registration in the register referred to in paragraph 1 of this Article shall not be performed:

1. before the finality of the decision rejecting the request;
2. before the creditor is provided with the security instrument in accordance with the court decision; or
3. before the finality of the decision partially rejecting the request and before the creditor is provided with the security instrument in accordance with such court decision.

The company shall demonstrate that the creditor has been provided security instrument, and upon the court's request, the members of the management board or the executive directors must confirm that the creditor has been provided security instrument in accordance with the court's decision.

(6) After the registration referred to in paragraph 4 of this Article, the court of registration shall issue a decision confirming that all the requirements have been met and that all required actions have been performed for cross-border conversion (certificate of conversion). This certificate shall be made available via the system of interconnection of registers.

(7) Upon being informed that the cross-border conversion has taken effect by the competent authority of the country to which the company that is the subject of cross-border conversion has transferred its seat, the court of registration shall enter a note of the date of validity of the cross-border conversion in the court register.

Notifications and information of the court of registration

Article 582l (OG 130/23)

(1) The court of registration may, in order to perform the examination referred to in Article 582k of this Act:

1. request the necessary information and documents from the company that is the subject of cross-border conversion;
2. request the necessary information and documents from public law entities in the country and in another Member State or a country party to the European Economic Area Agreement in which the company that is the subject of cross-border conversion is to have its seat;
3. where appropriate, request the necessary information and documents from the special negotiating body;
4. appoint an auditor.

(2) If a national court of registration is competent for the registration of a converted company referred to in Article 582m of this Act, that court of registration and other national public law entities may, upon request, provide the necessary information and documents at its disposal to the authority of another Member State or a country party to the European Economic Area Agreement competent for issuing a certificate of conversion.

Registration of the converted company

Article 582m (OG 130/23)

(1) A company that is the subject of cross-border conversion as referred to in Article 582a, paragraph 2, of this Act shall submit an application for registration of the converted company to the competent court of registration. The court of registration that is to enter the new seat of the company that is the subject of cross-border conversion shall have jurisdiction for supervising the registration of the converted company.

(2) The following shall be enclosed to the application referred to in paragraph 1 of this Article:

1. the draft terms of conversion;
2. where necessary, an agreement on the involvement of employees in determining their participation rights in the converted company.

(3) The application for registration referred to in paragraph 2 of this Article does not need to be accompanied by a statement by the members of the management board or the executive directors of the company confirming that the resolution of the representative body of the company being converted has not been challenged within the prescribed period or that an action to challenge was finally rejected, the resolution of the representative body on conversion, statements of consent by the members of the company where such consents are required under this Act, and the conversion report referred to in Article 582d, paragraph 1, of this Act or consents referred to in Article 582d, paragraph 6, of this Act.

(4) The certificate of conversion issued by the competent authority of another Member State or a country party to the European Economic Area Agreement via the system of interconnection of registers shall be deemed proof that all requirements have been met and all required actions for cross-border conversion have been performed according to the law of the country that issued such certificate. The court of registration may not register a cross-border conversion in the court register without such conversion certificate.

(5) When supervising the registration of a converted company, the court of registration shall, in particular, examine whether the company that is the subject of cross-border conversion as referred to in Article 582a, paragraph 2, of this Act meets all the requirements for the formation of a company in a new legal form in accordance with the Croatian law, and whether the company concluded an agreement on the involvement of employees in determining their participation rights.

(6) Cross-border conversion shall take effect on the date of registration of the converted company in the court register. The court of registration must inform thereof the competent authority of the country in which the converted company had its seat prior to the carrying out of the cross-border conversion.

PART THREE ECONOMIC INTEREST GROUPING

Definitions

Article 583

(1) An economic interest grouping (grouping) shall be a legal person formed by two or more natural and legal persons in order to facilitate and develop the performance of economic activities constituting their objects and to improve or increase the results of those activities in such a manner that such legal person does not make profits for themselves.

(2) The grouping referred to in paragraph 1 of this Article shall be formed without any share capital. The rights of members may not be expressed in terms of securities. A provision to the contrary in the contract for the formation of the grouping or in a decision of the members of the grouping shall be null. The activity of the grouping shall be related to the economic activities of its members and shall not be more than ancillary to those activities.

Objects

Article 584

Grouping's objects shall be related to the economic activities of its members and shall not be more than ancillary to those activities. A grouping shall not:

1. manage or supervise, directly or indirectly, the activities of the undertakings of its members, other companies and natural persons;
2. directly or indirectly hold shares of any kind in a member undertaking; it shall neither hold shares in other undertakings except where this is necessary for the achievement of the grouping's objects and if it is done on its members' behalf;
3. be a member of another grouping;
4. obtain funding on the capital market.

Application of provisions on general partnership

Article 585

(1) A grouping is a company.

(2) Unless otherwise provided for in this Part of this Act, provisions of this Act on general partnerships shall apply to groupings.

Members of the grouping

Article 586

Members of a grouping may be persons carrying out an economic activity. Persons practicing a liberal profession regulated by special statutory provisions may also become members of a grouping.

Contract for the formation of a grouping

Article 587 (OG 40/19)

(1) A contract for the formation of a grouping shall be concluded in the form of a notarial deed and shall include the following:

1. the corporate name of the grouping;
2. the seat of the grouping;
3. the corporate name or full name, legal form, seat or domicile of each member of the grouping, and their number and place of registration;
4. the duration of the grouping, except where this is indefinite.

(2) The data included in the contract and amendments thereto shall take effect as against third parties from the date of publication.

Application for registration in the court register

Article 588

(1) The grouping shall be registered in the court register of the court having territorial jurisdiction over the grouping's seat stated in the contract for the formation of the grouping.

(2) In addition to the data specified in Article 587 of this Act, the application for registration referred to in paragraph 1 of this Article shall include the full names of the members of the management board, their personal identification numbers, domiciles and the authority to represent the grouping.

(3) The following shall also be filed for the purpose of registration in the court register:

1. amendments to the data specified in paragraph 2 of this Article;
2. declaration of the grouping's nullity;
3. setting up or closure of any establishment of the grouping;
4. winding up of the grouping;
5. the names of the grouping's liquidators, their personal identification numbers, domiciles and representative authority, including any amendments thereto;
6. conclusion of the grouping's liquidation;
7. any contractual clause or provision of an instrument exempting pursuant to Article 592, paragraph 4, of this Act a new member of the grouping from the payment of the grouping's debts and liabilities which originated prior to their admission.

(4) The application for the registration of a grouping in the court register or any amendments to such registration shall be made by all members of the grouping's management board, and for the registration of the conclusion of a grouping's liquidation by all liquidators.

(5) Depending on the subject matter of registration, the following shall be attached to the application for registration referred to in paragraphs 2 and 3 of this Article:

1. the contract for the formation of the grouping and the legal act referred to in Article 592, paragraph 4, of this Act;

2. any amendment to the contract referred to in the previous item of this paragraph, including any change in the composition of the grouping;
3. the decision on the setting up or closure of any establishment of the grouping;
4. any judicial decision declaring the nullity of the grouping;
5. decisions on the appointment and removal of members of the grouping's management board and on whether they may act alone or must act jointly; in the case of appointments, their statements that there is no impediment to their appointment as referred to in Article 239, paragraph 2, of this Act;
6. statement of a member assigning their participation in the grouping or a proportion thereof and the agreement of the other members;
7. any decision of the members or the court on the winding up of a grouping;
8. the decision on the appointment of the grouping's liquidator and the termination of any liquidator's appointment;
9. the decision on the conclusion of the grouping's liquidation;
10. the decision on the transfer of the grouping's seat.

Publication of registration

Article 589

The following shall also be published, as laid down in Article 64 of this Act:

1. the data which shall be included in the contract for the formation of a grouping, pursuant to Article 587 of this Act, and any amendments thereto;
2. the number and date of the grouping's registration in the court register as well as of its deletion therefrom;
3. the data from the documents referred to in Article 588, paragraph 5, items 3 to 10, of this Act, published in extract form and including a reference that such documents are filed in the court register.

Legal personality. Legal capacity

Article 590

Deleted

Acting in the name of a grouping prior to its registration in the court register

Article 591

The provisions of Article 6 of this Act shall apply to the rights and obligations assumed or acquired in the name of the grouping before the registration of the grouping in the court register.

Liability of members of a grouping

Article 592

- (1) The members of a grouping shall have unlimited liability for the grouping's debts and liabilities.
- (2) Creditors may proceed against any member of a grouping for payment in respect of debts and other liabilities referred to in paragraph 1 of this Article until the conclusion of the grouping's liquidation, provided that they have first requested the grouping in writing to pay and payment has not been made within an appropriate period upon receipt of the request.
- (3) Every new member of a grouping shall also be liable for the grouping's debts and other liabilities that arose prior to their admission.
- (4) A new member may be exempted by a clause in the contract for the formation of the grouping or a provision in the instrument of admission from the payment of debts and other liabilities referred to in paragraph 3 of this Article. Such a clause or provision may have effect against third parties only if it is published.

Apportionment of profits and meeting of expenditures

Article 593

(1) The profits resulting from a grouping's activities shall be deemed to be the profits of the members and shall be apportioned among them in the proportions laid down in the contract for the formation of the grouping or, in the absence of any such provision, in equal shares.

(2) The members of a grouping shall contribute to the payment of the amount by which expenditure exceeds income in the proportions laid down in the contract for the formation of the grouping or, in the absence of any such provision, in equal shares.

Assigning one's participation in a grouping

Article 594

(1) Any member of a grouping may assign their participation in the grouping, or a proportion thereof, either to another member or to a third party. The assignment shall not take effect without the unanimous agreement of the other members.

(2) A member of a grouping may use their participation in the grouping as security only with the unanimous agreement of the other members, unless otherwise laid down in the contract for the formation of the grouping. The holder of the security may not become a member of the grouping by virtue of that security.

Admission of new members

Article 595

A decision to admit new members shall be taken unanimously by the members of the grouping.

Termination by a company member

Article 596

(1) A member of a grouping may terminate their membership in accordance with the conditions laid down in the contract for the formation of a grouping or, in the absence of such conditions, with the unanimous agreement of the other members.

(2) Any member of a grouping may, in addition, terminate their membership on just and proper grounds.

Expulsion of members

Article 597

(1) Any member of a grouping may be expelled for the reasons listed in the contract for the formation of the grouping and, in any case, if they grossly breach their obligations or if they cause or threaten to cause serious disruption in the operation of the grouping.

(2) A member may be expelled by the decision of a court to which joint application has been made by a majority of the other members, unless otherwise provided by the contract for the formation of a grouping.

Ceasing to belong to a grouping

Article 598

(1) A member of a grouping shall cease to belong to it upon their death, when they no longer comply with the conditions laid down in Article 586 of this Act, if their membership in a grouping is terminated by their creditor pursuant to the provisions of Article 101 of this Act or if bankruptcy proceedings have been instituted over their assets.

(2) In the event of the death of a natural person who is a member of a grouping, their heirs may not become members in their place except under the conditions laid down in the contract for the formation of the grouping or, in the absence of such conditions, with the unanimous agreement of the remaining members.

(3) As soon as a member ceases to belong to a grouping, the management board shall inform the other members of that fact and shall also submit to the court of registration an application for registration in the court register of the member's ceasing to belong to the grouping. This may also be done by any member who has ceased to belong to the grouping or any other member of the grouping.

(4) A grouping shall continue to exist for the remaining members after a member has ceased to belong to it without being affected by the rights acquired by a third party under Article 594, paragraph 1, of this Act and paragraph 2 of this

Article, in accordance with the conditions laid down in the contract for the formation of the grouping or, in the absence of such conditions, with the conditions determined by unanimous decision of the remaining members.

(5) If a member withdraws from the grouping as a result of termination by their creditor, the provisions of Article 109 of this Act shall not apply.

Rights and obligations of a departing member

Article 599

(1) When a member ceases to belong to a grouping for any reason other than that referred to in Article 594, paragraph 1, of this Act, the value of their rights and obligations shall be determined taking into account the assets and liabilities of the grouping as they stand when they cease to belong to it.

(2) The value of the rights and obligations of a departing member may not be fixed in advance.

Liability of a departing member

Article 600

Any member who leaves a grouping shall remain liable, in accordance with the conditions laid down in Article 592, paragraph 1, of this Act, for the debts and other liabilities arising out of the grouping's activities before they left the grouping.

Bodies of a grouping

Article 601

(1) The bodies of a grouping shall be the members acting collectively and the management board consisting of one or more members. A contract for the formation of a grouping may provide for other bodies. If it does, it shall determine their powers.

(2) The members of a grouping, acting as a body, may take any decision for the purpose of achieving the objects of the grouping.

Decision-making

Article 602

(1) Each member shall have one vote. The contract for the formation of a grouping may, however, give more than one vote to certain members, provided that no one member holds a majority of the votes.

(2) A unanimous decision by members shall be required to:

1. alter the objects of a grouping;
2. alter the number of votes allotted to each member;
3. alter the conditions for the decision-making;
4. extend the duration of a grouping beyond any period fixed in the contract for the formation of the grouping;
5. alter the contribution by every member or by some members to the grouping's financing;
6. alter any other obligation of a member, unless otherwise provided by the contract for the formation of the grouping;
7. make any alteration to the contract for the formation of the grouping not covered by this paragraph, unless otherwise provided by that contract.

(3) Except where this Act provides that decisions shall be taken unanimously, the contract for the formation of a grouping may prescribe the conditions for a quorum and for a majority, in accordance with which all or certain decisions shall be made. Unless otherwise provided for by the contract, decisions shall be made unanimously.

(4) On the initiative of a member of the management board or at the request of a member of the grouping, the member or members of the management board shall arrange for the members of the grouping to be consulted so a decision can be made.

Right to information

Article 603

Each member shall be entitled to obtain information from the management board concerning the grouping's business and to inspect the grouping's books and records.

Management of business

Article 604 (OG 18/23)

- (1) A grouping shall be managed by one or more natural persons appointed to the management board in the contract for the formation of the grouping or by decision of the members. No person may be a member of the management board if by virtue of the provisions of this Act they may not be a member of the management board or supervisory board of a company.
- (2) The contract for the formation of a grouping or, in the absence of any such provision, a unanimous decision by the members shall determine the conditions for the appointment and removal of the members of the management board and shall lay down their powers.
- (3) If no conditions for the appointment and removal of the members of the management board have been laid down as provided for in paragraph 2 of this Article, the members of the management board shall be appointed and removed by unanimous decision of the members of the grouping. Any member of the grouping may bring an action with the court referred to in Article 40 of this Act requesting it to remove an appointed member of the management board where there is just cause. Such just cause shall in particular exist if a member of the management board grossly breaches their duty to manage the grouping or becomes unable to do so properly.
- (4) Membership in the management board shall cease by law if, following the decision on the appointment of a member of the management board, the circumstances prescribed by law arise on the part of the member that would have, had they existed at the time of the decision, prevented the appointment. Other members of the management board shall immediately upon learning of such circumstances submit to the court of registration an application for registering the cessation of that person's membership in the management board. If the grouping has only one member of the management board or such circumstances have arisen for all members of the management board, the application shall be submitted by the chairperson of the supervisory board of the grouping, and if the grouping does not have a supervisory board, it shall be submitted by the members of the grouping. If the court of registration, by corresponding application of Article 68, paragraph 6, of this Act, learns that circumstances have arisen on the basis of which a person's membership in the grouping's management board has ceased, it shall register ex officio the cessation of that person's membership in the management board in the court register, and inform the company thereof.
- (5) The management board shall be responsible for the orderly keeping of the grouping's books, the preparation of the annual financial statements and their timely submission to the members of the grouping for approval.

Representation

Article 605

- (1) Only the person constituting the management board, or, where there are two or more such persons, each such person, shall represent a grouping in respect of dealings with third parties.
- (2) Each member of the management board shall bind the grouping as regards third parties when they act in the name of the grouping, even where their acts do not fall within the objects of the grouping, unless the grouping proves that the third party knew or could not, under the circumstances, have been unaware that the act fell outside the objects of the grouping. Publication of the particular referred to in Article 587, paragraph 1, item 3, of this Act shall not of itself be proof thereof.
- (3) No restriction on the powers of a member of the management board, whether deriving from the contract for the formation of the grouping or from a decision by the members, may be relied on as against third parties even if it is published.
- (4) The contract for the formation of the grouping may provide that the grouping shall be validly bound only by two or more members of the management board acting jointly. Such a clause may be relied on as against third parties only if it is published in accordance with Article 589 of this Act.

Duty of care and liability of members of the management board

Article 606

- (1) In managing the grouping, the members of the management board shall employ the due care of a prudent businessman. They shall not disclose any confidential information or secrets of the grouping which have become known to them in their capacity as members of the management board.
- (2) The members of the management board shall be jointly and severally liable to the grouping for any damage resulting from the breach of their duties. They shall bear the burden of proof in the event of a dispute as to whether or not they have employed the due care of a prudent businessman.
- (3) Claims under paragraph 2 of this Article shall be statute barred after the expiry of a period of five years.
- (4) The provisions of Article 429 of this Act shall apply accordingly to members of the management board.

Institution of bankruptcy proceedings

Article 606a

- (1) Each member of the management board and each liquidator of a grouping shall file for bankruptcy proceedings over the grouping's assets if the statutory conditions therefor have been met.
- (2) Each member of a grouping shall be authorised to file for bankruptcy proceedings over the grouping's assets if the statutory conditions therefor have been met.

Winding up of a grouping by decision of its members

Article 607

- (1) A grouping may be wound up by a decision of its members ordering its winding up. Such a decision shall be taken unanimously, unless otherwise laid down in the contract for the formation of the grouping.
- (2) A grouping shall be wound up by a decision of its members referred to in paragraph 1 of this Article if:
 1. the period fixed in the contract for the formation of the grouping has expired or any other cause for winding up provided for in the contract has come to exist; or
 2. the grouping's purpose has been accomplished or it has become impossible to pursue it further.
- (3) Where, three months after one of the situations referred to in paragraph 2, item 1, of this Article has occurred, a members' decision ordering the winding up of the grouping has not been made, any member may petition the court to order winding up.
- (4) A grouping shall also be wound up by a decision of its members when it no longer fulfils the conditions for its existence as laid down in this Act.
- (5) After a grouping has been wound up by a decision of its members, the grouping's management board shall take the steps required under Articles 588 and 589 of this Act. In addition, any member of the grouping may take those steps.

Winding up of a grouping by court decision

Article 608

- (1) Upon action by any member of a grouping or by a third party with legal interest or by a competent authority, in the event of the infringement of Article 583, paragraph 1, Article 584, or Article 607, paragraph 4, of this Act, the court referred to in Article 40 of this Act shall order as a court with exclusive jurisdiction that a grouping be wound up, unless its affairs can be and are put in order before the court has delivered the ruling.
- (2) Upon action by a member, the court may order a grouping to be wound up on just and proper grounds.

Liquidation

Article 609

- (1) The winding up of a grouping shall entail its liquidation.

(2) Unless the contract for the formation of a grouping or a decision of a grouping's members appoints other persons as liquidators, the members of the grouping's management board shall carry out the liquidation.

(3) The provisions of Articles 588 and 604 of this Act shall apply accordingly to the appointment and registration of liquidators in the court register.

(4) The grouping shall maintain its legal capacity until the liquidation procedure is completed.

Motion for institution of bankruptcy proceedings or compulsory settlement

Article 610

Deleted

PART FOUR FOREIGN COMPANIES AND FOREIGN INVESTMENTS

TITLE I FOREIGN COMPANIES AND SOLE PROPRIETORS

Chapter 1 GENERAL PROVISIONS

Definitions

Article 611

(1) For the purposes of this Act, a foreign company means any company that has been properly formed under the law of the country where it has its seat outside the Republic of Croatia.

(2) For the purposes of this Act, a foreign sole proprietor means any natural person recognised as a sole proprietor outside the Republic of Croatia, in the country where they have their seat and where they manage the undertaking that operates in the Republic of Croatia.

Conducting business in the Republic of Croatia

Article 612

(1) Under the conditions laid down in law, foreign companies and foreign sole proprietors shall be afforded the same treatment as domestic persons with respect to the conduct of business in the territory of the Republic of Croatia.

(2) Foreign companies and foreign sole proprietors may not permanently conduct business in the territory of the Republic of Croatia unless they set up a branch there.

(3) The performance of an activity shall not include occasional or one-time performance of an activity or particular work (the concept of the freedom to provide services in accordance with the EU acquis). Whether or not the performance of an activity within the meaning of the previous paragraph of this Article is of a permanent nature shall be assessed by taking into consideration the circumstances of the case in question.

Chapter 2 BRANCHES

Setting-up

Article 613 (OG 40/19, 34/22)

(1) The statutory provisions relating to the setting-up of branch offices by domestic corporations or partnerships shall apply to the setting-up and registration of branch offices of the persons referred to in Article 612 of this Act (the founders) in the court register.

(2) In case the founder is a corporation, the decision on the setting-up of a branch shall contain, in addition to the data referred to in Article 7, paragraph 4, of this Act, information on the amount of the share capital and the amount in which contributions have been paid, and in case the founder is a partnership or an entrepreneur who is a natural person, such

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decision shall also include the names of the persons personally liable for the company's liabilities. A branch of a foreign founder may be formed remotely, by using electronic means of communication.

(3) The founder shall file the branch office to the court of registration having jurisdiction over the area in which the branch office is to have its seat for registration in the court register.

(4) The application for registration of the branch shall, in addition to the data referred to in Article 8, paragraph 3, of this Act, include the activities referred to in Article 34, paragraph 3, of this Act, if those activities form the founder's objects, the number and place of registration or a note that the founder was established in a country where such registration is not required.

(5) The following shall be attached in original and certified Croatian translation to the application for the registration of the branch in the court register:

1. proof that the founder is registered in the country where its seat is located, stating its legal form, date of registration, number of registration, its objects, names of persons with representative authority and the scope of their powers or, if the founder was formed in a country where such registration is not required, valid formation documents publicly certified pursuant to the laws of the country in which the founder's seat is located, stating its legal form and date of formation, its objects, names of persons with representative authority and the scope of their powers;
2. the decision of the founders on the setting-up of the branch;
3. copy of the founder's deed of formation, memorandum of association or the articles of association, publicly certified pursuant to the laws of the country in which the founder's seat is located;
4. publicly certified summary of the founder's last annual financial statement.

(6) Except for the reasons for which it may refuse registration of any branch in the court register, the court of registration shall refuse such registration if the founder fails to prove that:

1. it was validly formed in the country in which its seat is located;
2. persons from the Republic of Croatia may set up branches in the country in which the founder's seat is located under the same conditions as those applicable to the founder in the Republic of Croatia.

(7) The founder shall be deemed to have proven the existence of reciprocity referred to in paragraph 6, item 2, of this Article if the court does not call on them to furnish proof thereof. In case of doubt, reciprocity shall, upon application of the court of registration, be confirmed by the Ministry of Justice. If reciprocity cannot be proven, a branch may also be registered on the basis of approval granted by the Ministry of Economy.

(8) The provision of paragraph 2 of this Article shall not apply to founders having their seat in a European Union Member State, and the provisions of paragraph 6, item 2, and paragraph 7 of this Article shall not apply to founders having their seat in a European Union Member State or member country of the World Trade Organisation.

(9) The founder shall submit an application for registration in the court register of any change of data referred to in Article 7, paragraph 4, items 1 and 3, of this Act and in paragraphs 2 and 4 of this Article to the court of registration. In the event of a change in the particulars referred to in Article 7, paragraph 4, item 2, of this Act, the founder shall inform the court of registration which activities form the objects by submitting a list of activities. Should the court of registration find out that such change has not been filed for registration in the court register, it shall call on the founder to do so within the period set therefor. If the founder nevertheless fails to file such change for registration in the court register, the court of registration shall delete of its own motion the branch office from the court register.

(10) Each year the founder shall deliver, within 15 days from the date of adoption of its annual financial statements and other financial documents whose publication is provided for by law, to the court of registration in which the branch office is registered such statements and documents for the purpose of registration of their submission.

Publication of registration

Article 614 (OG 40/19)

Upon registration in the court register, the data referred to in Article 7, paragraph 4, items 1 and 3, and Article 613, paragraphs 2 and 4, of this Act shall be published, and, in case the founder has more than one branch in the Republic of Croatia, also the data referred to in Article 615, paragraph 1, of this Act.

Several branches of the same founder

Article 615

- (1) If one and the same founder has more than one branch in the Republic of Croatia, the application for registration in the court register shall specify the principal branch and designate the other by ordinal numbers. The corporate name of the branch shall clearly indicate that a particular branch is the principal branch or one of the other branches of the same founder.
- (2) The founder shall appoint one or more persons in each branch to represent them. They may appoint the same persons in several branches to represent them or determine that persons at the principal branch are also authorised to represent them with respect to the operations of the other branches.
- (3) The submission of the founder's annual financial statements and other financial documents whose publication is provided for by law shall be registered in the register of the court where the principal branch is registered.

Operations of branches

Article 616

- (1) A branch shall act under its corporate name and shall indicate its seat and the seat of the founder.
- (2) The founder shall acquire or assume the rights and obligations resulting from the operation of a branch.

Book-keeping

Article 617

In the case of operations conducted in the territory to which this Act applies, a branch shall keep its books in accordance with the statutory provisions applicable in the Republic of Croatia.

Closure of a branch

Article 618

- (1) The founder shall decide on the closing down of a branch, as defined in the founder's memorandum of association, deed of formation or articles of association.
- (2) The court of registration with jurisdiction over the seat of a branch may ex officio or upon motion of an interested party issue an order for the deletion of the branch:
1. if the founder has ceased to exist in the country in which it has its seat or if under the laws of that country it has lost its legal capacity or the right to freely dispose of its assets; or
 2. if the country of the founder no longer respects the reciprocity referred to in Article 613, paragraph 4, item 2, of this Act.
- (3) The provisions of Articles 621 to 623 of this Act relating to the dissolution of companies shall apply accordingly to the closing of branches.
- (4) The founder shall submit to the court of registration an application for registration of the deletion of a branch from the court register and shall attach to such application the decision on the closure of the branch.

TITLE II FOREIGN INVESTMENTS

Foreign investor

Article 619

- (1) For the purposes of this Act, a foreign investor means any legal person whose seat is located outside the Republic of Croatia and any natural person who is a foreign citizen, refugee or stateless person insofar as they acquire shares in a company or invests in it on a contractual basis.
- (2) A citizen of the Republic of Croatia whose permanent address is outside the Republic of Croatia shall also be considered a foreign investor.

(3) Refugees and stateless persons referred to in paragraph 1 of this Article, domiciled in the Republic of Croatia, shall have the same status as the citizens of the Republic of Croatia.

Status of the foreign investor

Article 620

- (1) Under the presumed condition of reciprocity, a foreign investor may form companies in the Republic of Croatia or participate in their formation and acquire rights and assume obligations with respect to such companies under the same conditions and with the same status as domestic persons.
- (2) The condition of reciprocity referred to in paragraph 1 of this Article shall not apply to foreign investors with seat or permanent address in a member country of the World Trade Organisation or foreign investors who are citizens of such country.
- (3) A foreign limited company with seat in a non-EU state or a country that is not party to the European Economic Area Agreement may be a partner in a partnership with seat in the Republic of Croatia that is personally liable for the partnership's liabilities only if at least one more partner in the partnership is a limited company with seat in the Republic of Croatia, a European Union Member State, a country party to the European Economic Area Agreement, or a natural person citizen of the Republic of Croatia, a European Union Member State, or a country party to the European Economic Area Agreement that is personally liable for such liabilities.

PART FIVE PROVISIONS ON PENALTIES

TITLE I CLOSING OF COMPANIES

Requirements

Article 621

- (1) If as a result of unlawful conduct by one of its bodies or a member of its bodies a company endangers the common good and the competent body of the company fails to remove the persons that engaged in such conduct, the court may rule upon action by the Government of the Republic of Croatia on the company's closure.
- (2) After the judgement on the closure of the company is rendered, the liquidation of the company shall be carried out as defined by this Act. The motion for the appointment and removal of liquidators may be made on just and proper grounds by the national authority referred to in paragraph 1 of this Article.

Provisional measures

Article 622

- (1) If a legal action has been filed, the court may, upon motion by the body referred to in Article 621, paragraph 1, of this Act, order the taking of provisional measures against the company.
- (2) Until the decision rendered in the action referred to in Article 621, paragraph 1, of this Act becomes final, the court may order a provisional measure referred to in paragraph 1 of this Article suspending the implementation of a decision of a company body endangering the common good and prohibiting the company body or one or all members of the company body to take certain decisions or legal acts susceptible to endanger the common good. The court may also decide that the legal acts already undertaken shall produce no further legal effects.

Registration in the court register

Article 623

Court decisions shall be registered in the court register ex officio.

TITLE II CRIMINAL OFFENCES, MISDEMEANOURS AND FINES IMPOSED BY THE COURT OF REGISTRATION

Chapter 1 CRIMINAL OFFENCES

False statements

Article 624 (OG 40/19, 130/23)

(1) Whoever,

1. as a founder or member of the management board or executive director or member of the supervisory board or board of directors for the purpose of registration of a public limited company in the court register or the acquisition of shares, payment of contributions, distribution of contributions, with respect to the share issue price, special advantages, formation costs, contributions of things or rights or their acquisition, or in the statement referred to in Article 187a, paragraph 2, of this Act;
2. as a founder or member of the management board or executive director or member of the supervisory board or board of directors of a public limited company in the formation report or the audit report;
3. in the public announcement referred to in Article 192, item 3, of this Act;
4. as a member of the management board or executive director of a public limited company for the purpose of registration in the court register of a share capital increase (Articles 304 to 327), with respect to contributions to the previously existing capital, subscription or contribution of the new capital, the share issue price, the issuance of shares with the pre-emptive share subscription right, contributions of things or rights, or in the publication pursuant to Article 305a, paragraph 2, sentence 1, in connection with Article 187a, paragraph 2, or in the statement referred to in Article 306, paragraph 1;
5. as a liquidator of a public limited company for the purpose of registration of the continuation of the company, in connection with the proof to be furnished pursuant to Article 384, paragraph 3, of this Act;
6. as a member of the management board or executive director of a public limited company, in the statement referred to in Article 187, paragraph 1, item 4, of this Act or as a liquidator in the statement referred to in Article 372, paragraph 3, of this Act;
7. as a member of the management board of a private limited company for the purpose of registration of the company in the court register, with respect to share acquisition, share payment, use of funds paid in, special advantages, formation costs, contributions of things or rights, or security provided for shares in money not paid up in full;
8. as a member of the management board in the report on the formation of a private limited company;
9. as a member of the management board for the purpose of registration of a share capital increase of a private limited company in the court register, with respect to the subscription or payment of new capital or share payments consisting of things or rights;
10. as a member of the management board of a private limited company in the statement referred to in Article 394, paragraph 4, item 4, and Article 425, paragraph 3, of this Act, or as a liquidator of that company in the statement referred to in Article 372, paragraph 3, in connection with Article 472 of this Act; or
11. as a member of the management board of a private limited company in the statement referred to in Article 460, paragraph 2, of this Act;

provides incorrect information or fails to disclose material facts,

shall be liable to a fine or a term of imprisonment of up to two years.

(2) The contractual penalty referred to in paragraph 1 of this Article shall be imposed against anyone who makes a false statement as a member of the management board or as an executive director or chairperson of the supervisory board or the board of directors for the purpose of registering in the court register a share capital increase of a public limited company referred to in Article 331, paragraph 1 of this Act, or as a member of the management board or the chairperson

of the supervisory board or the board of directors of a private limited company referred to in Article 460, paragraph 2, of this Act, or as a member of the management board or executive director for the purpose of registering in the court register the conversion of a public limited company into a private limited company referred to in Article 560, paragraph 3, of this Act, or as a member of the management board of a private limited company for the purpose of share capital reduction or provision of security to creditors referred to in Article 464, paragraph 2, item 3, of this Act.

Misrepresentation

Article 625 (OG 130/23)

(1) Whoever as a member of the management board or executive director or a member of the supervisory board, or a liquidator

1. misrepresents or conceals the condition of the company, including its relations with affiliated companies, in presentations or summaries on the financial condition of the company, statements or information provided at the general meeting or meeting; or
 2. makes false statements or misrepresents or conceals the condition of the company in clarifications or statements which are required to be made to the auditors of the company or an affiliated company; or
 3. in the remuneration report referred to in Article 272r, paragraph 1 or 2, of this Act presented to the general meeting of the company, misrepresents or conceals the condition of the company, including relations with affiliates,
- shall be liable to a fine or a term of imprisonment of up to two years.

(2) Whoever, as founder or shareholder, makes false statements or conceals material facts in clarifications and statements which are required to be made to a formation auditor or other auditor pursuant to statutory provisions, shall be liable to the fine or contractual penalty referred to in paragraph 1.

Violation of duty in the event of loss of capital, overindebtedness or insolvency

Article 626 (OG 130/23)

(1) Whoever,

1. as a member of the management board or executive director of a company, in violation of the provisions of Article 251, paragraph 1, or Article 442, paragraph 2, of this Act, although the company has suffered a loss, fails to convene a general meeting or meeting and to disclose at such meeting such loss; or
 2. as a member managing a general or limited partnership, and if that member is a legal person, as a natural person managing that member, or as a liquidator of a general or limited partnership, or as a member of the management board or executive director of a public limited company contrary to the provision of Article 251, paragraph 2, of this Act, or as a member of the management board of a private limited company contrary to the provision of Article 431c of this Act, or as a liquidator of a public limited company or a private limited company, in connection with the provision of Article 374, paragraph 2, or in connection with the provision of Article 471, paragraph 5 of this Act, or as a member of the management board or liquidator of an economic interest grouping contrary to the provision of Article 606a, paragraph 1, of this Act, in the event that the company is insolvent or overindebted, fails to request the opening of bankruptcy proceedings,
- shall be liable to a fine or a term of imprisonment of up to two years.

(2) If the act referred to in paragraph 1 of this Article was committed due to negligence, the person committing such an act shall be liable to a fine or a term of imprisonment of up to one year.

False issuance or forgery of certificates confirming rights arising from shares

Article 627

Ceased to be in effect.

Violation of duty to report

Article 628

(1) Anyone who, as an auditor or assistant to an auditor, provides a false audit report or fails to disclose relevant circumstances in such report,

shall be liable to a fine or a term of imprisonment of up to two years.

(2) Whoever commits the acts referred to in paragraph 1 of this Article with the intent to obtain for himself/herself or another person unlawful pecuniary advantage or to cause damage to another person

shall be liable to a fine or a term of imprisonment of up to five years.

Violation of the duty of confidentiality

Article 629

Ceased to be in effect.

Chapter 2 MISDEMEANOURS

Misdemeanours committed by companies

Article 630 (OG 40/19, 34/22, 114/22, 130/23, 136/24)

(1) It shall be considered that a legal person has committed a misdemeanour if:

1. it fails to submit an application for registration of a branch in the court register or deletion of a branch from the court register (Article 7, paragraph 6, and Article 8, paragraph 1);
2. in conducting business it fails to use its corporate name in the form registered in the court register or fails to state the prescribed data on the company's business letters or website (Article 21);
3. it carries out an activity without having obtained the consent, authorisation or any other act of the relevant national authority or institution provided for by law (Article 32, paragraph 4);
4. it fails to submit an application for registration in the court register of the data that under the provisions of this Act shall be registered in such register or fails to do so within the set period (Article 59);
5. in violation of this Act, it fails to submit or submit within the prescribed period to the court register the annual financial statements, the consolidated financial statements, the audit report, the annual report on the condition of the company or the company's consolidated annual financial statements for the purpose of registration of their submission and the publication of such registration (Article 86, paragraph 2, Article 138a, Article 300d, paragraph 2, Article 441, paragraph 3, Article 613, paragraph 10);
6. it fails to submit to the court of registration an application for registration of the resolution on the dissolution of the company or the expulsion or withdrawal of a member from the company in the court register (Article 111, paragraphs 1 and 2, Article 368, paragraph 1, and Article 470, paragraph 1);
7. the amount of a public limited company's share capital is lower than the minimum prescribed amount (Article 162);
8. it issues shares whose par value is below the minimum prescribed par value or if the pro rata amount of the share capital allocated to each no-par-value share is below the minimum prescribed amount (Article 163);
9. it issues shares at a price lower than the minimum value of the public limited company's share capital (Article 164, paragraph 1);
10. it issues shares at a price lower than par value or lower than the pro rata share capital allocated to each no-par-value share (Article 164, paragraph 2);
11. it issues shares but fails to indicate on the share certificate the amount that has been partially paid (Article 165, paragraph 2);
12. it issues interim certificates in bearer form (Article 166, paragraph 2);
13. it issues shares conferring different voting rights for equal share capital value (Article 169, paragraph 3);
14. it fails to dispose of or withdraw shares when required to do so under the law (Article 236);
15. it reimburses formation costs to the shareholders or company members in violation of Article 175 or Article 393 of this Act;

16. it transfers the rights to participate in the company and issues share certificates or interim certificates prior to the company's registration in the court register (Article 194);
17. the prospectus does not contain all the data required by law (Article 196);
18. it releases a shareholder from the payment obligations referred to in Articles 212 and 215 of this Act or offsets its claims resulting from any such obligation against a shareholder's claim (Article 216) or postpones or facilitates the fulfilment by particular members of the obligation to pay up shares or relieves particular members from such obligation or offsets its claims for the making of such contribution against a member's claim against the company (Article 398, paragraph 3);
19. it repays contributions to shareholders or pays shareholders interest on their contributions (Article 217);
20. it subscribes to own shares (Article 219, paragraph 1);
21. as a subsidiary company, it acquires shares of the parent company, or if as a subsidiary, it acquires shares of its parent company (Article 219, paragraph 2);
22. it appropriates profit in violation of the provisions of Article 220 of this Act;
23. it makes an advance payment of dividend in violation of the provisions of Article 221 of this Act;
24. it fails to transfer amounts to statutory reserves as laid down in Article 222, paragraph 1, of this Act or uses statutory reserves contrary to paragraph 2 or 3 of the same Article;
25. it fails to register registered shares in the share register (Article 226, paragraph 1);
- 25.a upon request, a shareholder is denied information contained in the share register which they are entitled to know, or if it makes use of the information contained in the share register in violation of Article 226, paragraph 8, of this Act;
- 25.b it fails to keep the company's books and records or entrust them to a person providing services of storing business records (Article 127, paragraph 2);
26. it has declared nullity of the shares contrary to the provisions stated in Article 230 or in Article 346 of this Act;
27. it fails to replace a damaged or defaced share certificate or interim certificate although the conditions therefor as referred to in Article 231 of this Act have been fulfilled;
28. it acquires own shares in violation of Article 233 of this Act, or in violation of Article 238, paragraph 1, of this Act takes own shares as a pledge;
29. it extends an advance or credit or provides security to another person for the purpose of them acquiring shares in the company, unless the law allows this (Article 234, paragraph 1);
30. it fails to offer to transfer to another person own shares which under the law it is required to dispose of or fails to withdraw such shares in accordance with the law (Article 236, paragraph 3);
- 30.a it inaccurately, incompletely or untimely publishes or fails to publish the decision of the general meeting and the remuneration policy (Article 276a, paragraph 2);
- 30.b it fails to publish the remuneration report and the auditor's record on examination of the remuneration report or fails to make them available free of charge for a period of ten years (Article 272r, paragraphs 3 and 4)
31. the members of its management board or its executive directors have been appointed contrary to the provisions of Article 239 or Article 422 or Article 423 of this Act;
- 31.a it has not set objectives for the participation of members of the under-represented gender on the management board or among the company's executive directors in accordance with the provisions of Article 272u of this Act;
32. it does not have a supervisory board, where under the law it should have one (Article 434, paragraph 2);
33. it has a supervisory board or board of directors composed in violation of the provisions of Articles 254 and 255, or Articles 435 and 436 of this Act;
- 33.a if, contrary to the provisions of Article 272t of this Act, it has not adopted rules on the selection of candidates for members of the supervisory board or board of directors, or has unjustifiably disregarded the advantage of a candidate of the under-represented gender in the selection for membership of the supervisory board or board of directors, or has refused to inform a candidate of the selection criteria;

34. it extends credit to members of the management board or the executive directors, members of the supervisory board or board of directors, procurators or members of their immediate families in violation of the provisions of Article 249, paragraphs 1 and 2, Article 271, paragraphs 1 and 2, and Article 431 of this Act;
35. it fails to submit an application for registration in the court register or publish an election to or change in the composition of the supervisory board or board of directors in accordance with Articles 262 and 439 of this Act;
- 35.a the management board or the executive directors fail to give the statement on the application of the corporate governance code within the period prescribed by law or fail to provide such a statement in the manner laid down in this Act, or if they fail to timely submit to the Gender Equality Ombudsperson the information they are obliged to provide (Article 272p);
- 35.b in violation of Article 277, paragraph 6, and in connection with Article 280, paragraph 1, sentence 4, of this Act, fails to give a notice of the shareholders' meeting or gives such notice incorrectly or without providing all the information required or fails to give such notice in due time or, contrary to Article 280a of this Act, fails to make the necessary information available, does this incorrectly or without providing all the information required;
36. it fails to communicate, when required to do so, to credit or financial institutions and shareholders' associations the notice of the meeting within the time limit referred to in Article 281, paragraph 1, of this Act or fails to provide the necessary information as stated in Article 281, paragraph 1;
37. promptly upon the closure of the meeting it fails to submit to the court of registration a copy of the minutes of the meeting (Article 286, paragraph 5);
38. it fails to submit to the court of registration an application for registration of any amendment to the articles of association (Article 303, paragraph 1);
39. it increases the share capital in violation of the provisions of Articles 304 and 305, Article 313, paragraphs 1 to 3, Articles 315, 323, 326, 328, 329 and 459 of this Act;
40. it fails to submit to the court of registration an application for registration of the resolution on the share capital increase (Articles 306, 316, 327, 331, 458, 460);
41. it denies a shareholder the right of pre-emption to acquire new shares in violation of Article 308 of this Act;
42. it fails to submit to the court of registration an application for registration of the completed share capital increase (Articles 309, 322, 327);
43. it issues share certificates and interim certificates in violation of the provisions of Articles 312, 318, 320, and 340 of this Act;
44. it reduces share capital in violation of the provisions of Article 342, 349, 352 or 462 of this Act;
45. it fails to notify the court of the resolution on the share capital reduction or the intention to reduce the share capital (Article 343, Article 349, paragraph 3, Article 354, Article 463, paragraph 1);
46. it fails to provide security to creditors or to advise them of their right to request security as provided for under law (Article 345);
47. it fails to submit to the court of registration an application for registration of the completed share capital reduction (Articles 347, 354);
48. it utilises the amounts obtained from the share capital reduction contrary to the provisions of Articles 350 and 465 of this Act;
49. it pays dividends to shareholders in violation of the provisions of Article 351 of this Act;
50. it fails to promptly announce the filing of any action to challenge a resolution of the general meeting or any action for the declaration of the company's nullity (Article 363, paragraph 4, Article 384a, paragraph 4);
51. it fails to promptly submit to the court of registration a judgment declaring a resolution of the general meeting null or fails to publish such judgment (Article 364);
52. upon registration of the decision on the company's liquidation in the court register, it fails to include in the company's corporate name the designation "u likvidaciji" ("in liquidation") (Articles 370 and 472);

53. it fails to submit to the court of registration an application for registration of liquidators in the court register (Article 372, paragraph 1, and Article 472);
54. it fails to invite the creditors as provided for in Article 373 of this Act;
55. it distributes the company's assets to shareholders in violation of the provisions of Article 379 of this Act;
- 55.a it fails to keep the company's books and records or entrust them to a person providing services of storing business records (Article 382, paragraph 4);
56. the amount of a private limited company's share capital falls below the amount specified in Article 389, paragraph 2, of this Act;
57. the share in a private limited company falls below the value referred to in Article 390, paragraph 1, of this Act;
58. the monetary payment amount for a share in a private limited company is less than the amount laid down in Article 390, paragraph 2, of this Act;
59. members of a private limited company are distributed profits in violation of the provisions of Article 406 of this Act;
- 59.a it fails to keep or keep properly the share register (Article 410, paragraph 1);
- 59.b it fails to inform in due time the court of registration of any change in the data entered in the share register or provides incorrect information concerning any such data (Article 410, paragraph 2);
60. it acquires own shares or takes them as a pledge in violation of the provisions of Article 418 of this Act;
61. it withdraws a share in violation of the provisions of Article 419 of this Act;
62. it fails to promptly submit to the court of registration an application for registration of any change in the composition of the management board or the representative authority in the court register (Article 425);
63. it fails to submit to the court of registration an application for registration of any amendment to the memorandum of association in the court register (Article 456, paragraph 1);
64. it fails to file the resolution on the share capital increase with the court and to ask for its registration in the court register (Article 458);
- 64a it fails to keep the company's books and records or entrust them to a person providing services of storing business records (Article 472f);
65. it acquires more than one quarter of the shares of a corporation with seat in the Republic of Croatia or a majority holding in another company or, where such shareholding is subsequently reduced, it fails to inform the other company thereof or to announce this properly (Article 478);
66. it fails to inform, upon request, a shareholder or outside shareholder of any matter relating to the other contracting company which is material in the context of a control agreement or a profit transfer agreement (Article 481b, paragraph 5);
67. it fails to submit an application for registration of the entrepreneurial contract or the cancellation or termination of such agreement in the court register (Article 482, paragraph 1, and Article 486);
68. the management board or the executive directors fail to properly publish a final court decision on the severance fee to outside shareholders (Article 492, paragraph 5);
69. the management board or the executive directors of the company being integrated fail to submit an application for registration of the integration into the principal company in the court register (Article 503, paragraph 8);
70. it fails to provide shareholders with information on the integrated company and matters relating to the operations of the principal company (Article 509);
71. the integrated company fails to submit within the prescribed time limit an application for registration of the termination of integration in the court register (Article 510, paragraph 3);

72. upon request of a shareholder, it fails to provide without delay and free of charge, duplicates or photocopies of the documents required under the law relating to the merger by acquisition or fails to make available for inspection such documents (Article 517, paragraphs 4 and 5);
73. it fails to submit to the court of registration an application for registration of the merger by acquisition in the court register in which the acquired company or the merging companies or the new company is registered (Article 521, paragraph 1, Article 533, paragraph 5, Article 540, paragraph 1, Article 548, paragraph 4);
74. as the acquiring company it increases, contrary to the provisions of this Act, its share capital (Article 539, paragraph 1);
75. the agreement on the transfer of all the assets of a company is not displayed in the prescribed manner for inspection by shareholders (Article 552, paragraph 2);
76. it fails to submit an application for registration of the conversion of the company in the court register (Articles 560, 568, 573, 576, 577, 580, 582);
77. as a foreign person it carries on an activity in the Republic of Croatia before setting up a branch there (Article 612, paragraph 2);
78. as a foreign person with more than one branch in the Republic of Croatia it fails to indicate which branch is the principal branch or fails to designate the other branches by ordinal number or fails to indicate this in the corporate names of the branches (Article 615, paragraph 1);
79. as a foreign person it has set up a branch in the Republic of Croatia which does not act under its corporate name or fails to indicate either its seat or the seat of the founder (Article 616, paragraph 1);
80. as a foreign person it fails to keep books on the operations of its branch in the Republic of Croatia in accordance with the law in force there (Article 617);
81. as a foreign person its branch in the Republic of Croatia is cancelled due to unlawful conduct endangering the common good (Article 618, paragraph 3);
82. it fails to ensure compliance of its by-laws with the provisions of this Act or pursuant to such by-laws fails to appoint bodies and submit an application for registration of such appointments to the court of registration by the deadline referred to in Article 637, paragraph 1, of this Act, or else fails to institute liquidation proceedings itself;
83. if no later than by the deadline referred to in Article 637, paragraph 3, of this Act it fails to resolve on a share capital increase to an amount that is not lower than the minimum amount of such capital laid down in this or some other act or fails to convert into a company for which it meets the conditions, or else fails to institute liquidation proceedings itself;
84. by the deadline referred to in Article 637, paragraph 2, of this Act, as a private enterprise it fails to convert into a company or fails to continue doing business as a sole proprietor, or else fails to institute liquidation proceedings itself;
85. by the deadline referred to in Article 640 of this Act it fails to harmonise the minimum par value of shares or its multiples and the lowest amount of the capital contribution with the provisions of this Act;
86. no later than by the deadline referred to in Article 642, paragraph 4, of this Act it fails to harmonise the ratio of non-voting shares issued before the date of the entry into force of this Act and other shares;
87. no later than by the deadline referred to in Article 643 of this Act it fails to comply with the provisions of Article 236 of this Act;
88. it fails to register as a branch in the court register any of its parts enjoying certain rights in legal transactions in the manner and by the deadline laid down in Article 645, paragraph 1, of this Act, or else does not cancel such part by the said deadline.
- (2) For the misdemeanour referred to in paragraph 1 of this Article, a fine of up to EUR 10000.00 may be imposed. A member of the company, a member of the management board or an executive director, or a member of the supervisory board or the board of directors, or a liquidator who, under the provisions of this Act or the articles of association or partnership agreement of the company, is the responsible person in the company in relation to the act referred to in paragraph 1 of this Article, shall be fined up to EUR 920.00. If a more serious infringement of the law was committed for the purpose of obtaining unlawful pecuniary advantage, a fine of up to EUR 6630.00 shall be imposed.

(3) Where a sole proprietor commits any of the misdemeanours referred to in paragraph 1, items 1 to 6, of this Act, they shall be liable to a fine of up to EUR 6630.00.

Misdemeanours committed by natural persons

Article 631 (OG 40/19, 114/22, 18/23, 130/23)

(1) One commits a misdemeanour if they,

1. as a shareholder or a representative of shareholders provide no information or provide incorrect information to be included in the list of shareholders referred to in Article 285 of this Act;
2. use shares of another person, without authorisation to act as proxy and without the consent of such other person, to exercise rights at the general meeting or a separate meeting of a public limited company;
3. use shares of another person which they have acquired by granting or promising special advantages to exercise rights at a general meeting or a separate meeting;
4. transfer shares to another person for the purpose specified in item 4 of this paragraph against a grant or promise of special advantages;
5. use another person's shares to personally or through a proxy exercise voting rights that should not be exercised pursuant to Article 292 of this Act;
6. transfer to another person to use shares to exercise voting rights which neither they nor the person represented by them may exercise pursuant to Articles 235, 237, 291 to 293, Article 298, paragraph 1, or Article 478, paragraph 6, of this Act at the general meeting or a separate meeting of public limited company;
7. requests a special advantage, lets it be promised to them or accepts such special advantage as consideration for voting or refraining from voting in a specific manner at a general meeting or a separate meeting of a public limited company;
8. offers, promises or grants special advantages for someone to vote or refrain from voting in a specific manner at a general meeting or a separate meeting of public limited company; or
9. with the exception of members of the management board, fails to submit to the court of registration or the company the list of company members which they are required under this Act to submit, or fails to submit such list within the prescribed period or submits a list which does not contain the required information or the prescribed confirmation or submits a list which does not confirm the true state of affairs, or fails to sign such list (Article 410, paragraph 3);
10. inaccurately, incompletely or untimely informs or fails to inform the company whether the shares registered in the share register are their shares (Article 226, paragraph 3, fourth sentence);
11. inaccurately, incompletely or untimely discloses transactions with related persons for which consent is required in accordance with Article 263b of this Act (Article 263c);
12. inaccurately, incompletely or untimely confirms or fails to confirm that the given vote has been received or inaccurately, incompletely or untimely forwards or fails to forward this confirmation to the shareholder (Article 274, paragraph 6);
13. inaccurately, incompletely or untimely transmits or fails to transmit information referred to in Article 297a, paragraph 1, of this Act (Article 297a, paragraph 3, first sentence, in connection with second sentence, and Article 281, paragraph 5, third sentence and Article 297c, paragraph 1, second sentence and Article 297d, paragraph 4, second sentence);
14. inaccurately, incompletely or untimely transmits or fails to transmit information obtained on the basis of the provisions of Article 297a, paragraph 1, of this Act (Article 297b, paragraph 1, first sentence, in connection with paragraph 2, and Article 281, paragraph 5, third sentence and Article 297c, paragraph 1, first sentence and Article 297d, paragraph 4, first or third sentence);
15. inaccurately, incompletely or untimely submits or fails to submit a proof or a written confirmation on shares (Article 297c, paragraph 2);
16. inaccurately, incompletely or untimely forwards or fails to forward the request for information of the company further to the intermediary immediately preceding them in the chain until the intermediary who deposits shares for the shareholder is reached (Article 297d, paragraph 3);
17. fails to make available or has failed for at least three years to make available information referred to in Article 291b, paragraphs 1 to 4, of this Act (Article 291b, paragraph 5, first sentence), namely: report on how they implement their

participation policy (Article 291b, paragraph 2), report on how they voted at the general meetings (Article 291b, paragraph 3) or explanation as to why they did not fulfil the requests referred to in Article 291b, paragraphs 1 to 3, of this Act (Article 291b, paragraph 4);

18. fails to make available or has failed for at least three years to make available information referred to in Article 291c, paragraphs 1 and 2, of this Act (Article 291c, paragraph 3), namely: information on to which extent the main elements of their investment strategy are in accordance with the profile and duration of their obligations and how they contribute to medium to long-term value developments of their portfolio (Article 291c, paragraph 1), information on the agreement with the asset manager which explains how the asset manager aligns its investment strategy and decisions on investments with the profile and duration of institutional investor's obligations (Article 291c, paragraph 2, first sentence) or explanations as to why the agreement with the asset manager does not contain information referred to in Article 291c, paragraph 2, items 1 to 4, of this Act (Article 291c, paragraph 2, third sentence);

19. fails to make available or has failed for at least three years to make available information referred to in Article 291d, paragraphs 1 and 2, of this Act (Article 291d, paragraph 3);

20. inaccurately, incompletely or untimely gives information or fails to give information to the client on the conflict of interest, and on countermeasures undertaken (Article 291d, paragraph 4, of this Act);

21. excludes or restricts their liability for damages resulting from violation of the provisions of Article 292, paragraphs 1 to 6, of this Act (Article 292, paragraph 9);

22. as an entrepreneur, when they are required to do so, fails to submit the silent partnership agreement to the competent office of the Ministry of Finance, Tax Administration, within 15 days from the date of conclusion of the agreement (Article 148, paragraph 5).

(2) For misdemeanours referred to in items 1 to 9 of the previous paragraph of this Article a fine of up to EUR 920.00 may be imposed, and in the case of a more serious violation of the foregoing provisions was committed for the purpose of obtaining an unlawful pecuniary advantage, a fine of up to EUR 6630.00 may be imposed.

(3) For misdemeanours referred to in paragraph 1, items 10 to 22 of this Article a legal person shall be fined up to EUR 6630.00 and the responsible person in the legal person up to EUR 920.00, and in case of a more serious violation of the provisions which was committed with the purpose of obtaining an unlawful pecuniary gain, a fine of up to EUR 6630.00 shall be imposed.

Chapter 3 FINES IMPOSED BY THE COURT OF REGISTRATION

Article 632 (OG 40/19, 114/22)

(1) The court of registration shall issue a reminder to members of the management board or the executive directors or liquidators and threaten to impose fines on them if they fail to comply within the appropriate period with the provisions of Article 230, paragraph 5, second sentence, Article 236, Article 257, Article 299, Article 335, paragraph 1, Article 363, paragraph 4, Article 374, paragraph 4, Article 376, paragraph 1, Article 382, paragraph 2, Article 410, paragraph 3, Article 428, paragraph 2, Article 434, paragraph 4, Article 446, Article 452, paragraph 3, Article 463, paragraph 2, Article 481, paragraph 3, second and third sentence, Article 497, paragraph 1, Article 517, paragraphs 2 and 4, Article 552, paragraph 2, and Article 563 of this Act. Each such fine shall not exceed EUR 390.00.

(2) The fines referred to in paragraph 1 of this Article shall be imposed by the court of registration on whoever fails to fulfil the obligation to submit an application to that court within the time limit set in this Act, or to submit the required documents.

Chapter 4 APPLICATION OF THE PROVISIONS OF THIS TITLE OF THE ACT

Economic interest grouping

Article 633

(1) The provisions of Article 624, paragraph 1, item 6, of this Act shall apply to members of the management board and liquidators of an economic interest grouping and a European economic interest grouping.

(2) The provisions of Article 626, paragraph 1, item 2, and paragraph 2 of this Act shall apply to members of the management board and liquidators of an economic interest grouping and a European economic interest grouping.

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(3) Provisions of Article 629 of this Act shall apply to members of the management board and liquidators of an economic interest grouping. The complaint shall be made by the representative of the grouping appointed for this purpose by the members of the grouping.

(4) The provisions of Article 630, paragraph 1, items 1 to 7, and paragraph 2 of this Act shall also apply an economic interest grouping and a European economic interest grouping.

PROVISIONAL TRANSLATION

PART SIX TRANSITIONAL AND FINAL PROVISIONS

Continuation of a legal person

Article 634

As of the date of the start of application of this Act the following persons shall continue to operate in the manner and under the conditions stipulated in the entry in the court register:

1. social enterprises, public undertakings, public limited companies and private limited companies;
2. enterprises owned by the Republic of Croatia, counties, districts, municipalities or cities;
3. cooperative enterprises, companies whose members are subject to unlimited joint and several liability, limited partnerships, public limited companies and private limited companies under cooperative ownership;
4. companies whose members are subject to unlimited joint and several liability, limited partnerships, public limited companies, partnerships limited by shares and private limited companies under mixed ownership;
5. private enterprises, privately-owned companies whose members are subject to unlimited joint and several liability, limited partnerships, public limited companies, partnerships limited by shares, private limited companies and public companies;
6. shops and farms enjoying the status of legal persons.

Application of the Enterprises Act

Article 635

- (1) By way of derogation from the provision of Article 646, item 1, of this Act, the Enterprises Act shall apply to social enterprises, undertakings owned by the Republic of Croatia, counties, districts, municipalities or cities, socially-owned private limited companies holding all their shares, and cooperative enterprises, until under the conditions and by the deadlines stipulated in special statutory provisions they convert into a type of company.
- (2) By way of derogation from the provision of Article 646, item 1, of this Act, the Enterprises Act shall apply to companies whose members are subject to unlimited joint and several liability, limited partnerships, public limited companies, partnerships limited by shares, and private limited companies under private, cooperative and mixed ownership, until pursuant to this Act they register in the court register.
- (3) By way of derogation from the provision of Article 646 of this Act, the Enterprises Act shall also apply to private enterprises until they convert into a type of company or continue to conduct business as sole proprietors.

Shops and farms having the status of legal persons

Article 636

- (1) Keepers of shops having the status of legal persons who no later than 31 December 1995 fail to convert such shops into a type of company or fail to register with the court register as sole proprietors shall continue to conduct business as craftspersons. The assets and liabilities of shops having the status of legal persons shall be transferred onto them.
- (2) Owners of farms having the status of legal persons who no later than 31 December 1995 fail to convert these farms into a type of company or fail to register with the court register as sole proprietors shall continue to conduct business as individual farmers. The assets and liabilities of farms having the status of legal persons shall be transferred onto them.
- (3) The conversion of shops and farms having the status of legal persons into companies or their continuance as sole proprietorships shall be registered in the court register on the basis of an application submitted to the court of registration. The provisions of this Act shall apply to the contents of and attachments to the application. After the expiry of the term referred to in the preceding paragraphs of this Article business operations that continue to be conducted in the form of craftspersons and individual farmers shall be registered ex officio in the registers in which the said shops or farms were registered, whereas craftspersons shall also be registered in the register prescribed by the Crafts Act.

Compliance with the provisions of this Act

Article 637

- (1) Companies whose members are subject to unlimited joint and several liability, limited partnerships, public limited companies and private limited companies formed or established in some other manner prior to the date of the start of application of this Act shall ensure compliance of their by-laws with the provisions of this Act, pursuant to amended by-laws elect or appoint company bodies or decide on the persons authorised to administer and manage the company's operations, and no later than 31 December 1995 submit an application for registration in the court register. Within the same period partnerships limited by shares shall convert into public limited companies.
- (2) Private enterprises shall submit an application for registration in the court register of the company or sole proprietorship referred to in Article 635, paragraph 3, of this Act no later than 31 December 1995.
- (3) Public limited companies and private limited companies referred to in paragraph 1 of this Act the amount of whose share capital on the day of the start of application of this Act is lower than the minimum amount of the share capital prescribed for such companies by this or some other act shall pursuant to this Act resolve no later than 31 December 1997 on a share capital increase to an amount not lower than the said minimum share capital amount or on the conversion of the company into some other type of company for which the conditions as provided for in this Act are fulfilled and shall submit an application for registration of such resolution in the court register.
- (4) The amount of the share capital of the companies referred to in paragraph 3 of this Article shall be assessed on the basis of the official midpoint exchange rate or the midpoint exchange rate as determined and published on the exchange market or by the Croatian National Bank of the currency that was in official use on the territory of the Socialist Republic of Croatia, that is on the territory of the Republic of Croatia, to the DEM at the time of registration of the formation or some other form of company formation in the court register or at the time the resolution on the share capital increase or reduction was passed. Where no such exchange rate exists, the midpoint exchange rate of the bank that at the time was the company's official commercial bank and the midpoint exchange rate of the currency of the Republic of Croatia to the DEM as determined and published on the exchange market or by the Croatian National Bank and applicable at the time the resolution on the share capital increase referred to in the previous paragraph of this Article was passed shall apply.
- (5) In passing resolutions necessary for achieving compliance with this Act the companies referred to in paragraphs 1 and 3 and the companies referred to in paragraph 2 of this Article shall act in accordance with their by-laws, alternatively applying statutory provisions applicable to them at the time such resolutions were passed.
- (6) The companies referred to in paragraphs 1 and 3 and the enterprises referred to in paragraph 2 of this Article that fail to comply with the provisions of paragraphs 1 to 3 of this Article within the time limits laid down therein shall be liquidated and the companies or enterprises shall be struck off the court register. Liquidation proceedings shall be instituted by the court of registration ex officio. The liquidation of companies referred to in paragraph 1 of this Article shall be carried out pursuant to the provisions of this Act and the liquidation of enterprises referred to in paragraph 2 of this Article pursuant to the statutory provisions in force on the day of the start of application of this Act.

Conversion of partnership limited by shares into public limited company

Article 638

- (1) Upon resolution of the meeting composed of the company's shareholders and consent of all general partners a partnership limited by shares shall change its form and convert into a public limited company.
- (2) The conversion resolution shall include the following:
1. the corporate names of the partnership limited by shares and the public limited company;
 2. the amount of the share capital, the number and class of shares, distribution of shares among company members, and the stipulation that the public limited company's articles of association have been adopted.
- (3) The meeting of the general partnership limited by shares referred to in paragraph 1 of this Article that is to resolve on the conversion into a public limited company shall be presented with the financial statements for the preceding

financial year and the last periodic statement of financial statement. If the financial statements are required for the settlement of accounts among general partners, they shall bear the date relevant for that purpose. The statements shall be attached to the minutes of the meeting.

(4) Upon the passing of the conversion resolution, members of the public limited company's management board and supervisory board shall submit an application for registration of the conversion in the court register.

(5) The following shall be attached to the application for registration of the conversion in the court register:

1. the conversion resolution;
2. declarations of consent to the conversion resolution given by general partners in the form of a notarial deed;
3. the public limited company's articles of association;
4. resolutions on the appointment of the management board and the election of the supervisory board of the public limited company, if such resolutions are not contained in the conversion resolution.

(6) After the conversion is registered in the court register:

1. the partnership limited by shares shall continue to operate as a public limited company;
2. general partners shall cease to be the company's members;
3. the conversion shall not affect the liability of the general partners of the partnership limited by shares for the obligations assumed by that partnership.

Use of corporate name

Article 639

(1) The enterprises referred to in Article 634, items 1 to 5, of this Act shall continue to use the corporate name under which they are registered in the court register on the day of the start of application of this Act.

(2) Where an enterprise referred to in paragraph 1 of this Article changes its objects as registered in the court register on the day of the start of application of this Act so that thereupon it would carry on the same or a similar activity as a legal person already registered under the same or a similar corporate name in the court register kept by the same court of registration, it shall be required to submit simultaneously applications for registration of both the change of objects and the change of corporate name to the court of registration so that the new corporate name complies with the requirements referred to in Article 29 of this Act. In such case, the court of registration shall allow for the registration of a change of objects only provided that a change of corporate name be simultaneously registered in the court register.

Minimum par value of shares and capital contributions

Article 640

Public limited companies and private limited companies shall no later than 31 December 1997 align the minimum par value of shares, i.e. their multiples, and the minimum amount of capital contributions with the provisions of this Act.

Currency of share par value

Article 641

The provision of Article 161 of this Act shall not apply to shares issued before the date of the start of application of this Act.

Voting rights conferred by shares

Article 642

(1) The provisions of Article 291, paragraphs 2 and 3, of this Act shall not apply to shares acquired pursuant to the Act on the Conversion of Social Enterprises that are being paid off in instalments for as long as such shares are not fully repaid as pursuant to the share purchase agreement provided such agreement stipulates that the person acquiring shares may exercise the right to vote at the company's meeting even before the purchase price is fully paid.

(2) The provisions of Article 169, paragraph 3, of this Act shall not apply to shares validly acquired and fully paid off before the date of the start of application of this Act.

(3) The company's meeting may resolve to cancel or restrict the right to vote conferred by the shares referred to in paragraph 2 of this Article. Such resolution shall require a majority of not less than three quarters of the share capital represented at the meeting. No separate resolution of the shareholders concerned shall be required. If the cancellation or restriction of the right to vote concerns a shareholder who in addition to having paid off the share has fulfilled other obligations to the company, such shareholder shall obtain adequate compensation from the company. The application for the payment of compensation shall be made to the court within two months of the date of publication in the company's official journal of the registration of the amendment to the articles of association in the court register. If an action for the nullification of the resolution on the cancellation or restriction of the right of shareholders referred to in this paragraph has been filed, the said time limit shall start to run on the day following the day the action was rejected or the claim dismissed by a judicial decision that has become final.

(4) Public limited companies that until the date of the start of application of this Act have non-voting shares the aggregate par value of which exceeds one half of the company's share capital shall, at the latest on 31 December 1996, align the share ratio with that laid down in Article 169, paragraph 2, of this Act.

Public limited company's own shares

Article 643

Public limited companies that until the date of the start of application of this Act acquire own shares shall comply with the provisions of Article 236 of this Act at the latest on 31 December 1996.

Parts of enterprise

Article 644

(1) Parts of an enterprise enjoying certain rights in legal transactions that are registered in the court register on the day of the start of application of this Act shall continue to operate as registered in the said register. Such enterprises shall no later than by the deadline laid down for the compliance of their by-laws with the provisions of this Act submit an application for registration of such parts to the court as branches in the corresponding court registers in the manner prescribed by this Act, or close them.

(2) The court shall delete ex officio from the court register parts of the enterprise referred to in paragraph 1 of this Article with respect to which the provisions of paragraph 1 have not been complied with.

Applications for registration in the court register made to the court of registration before the entry into force of this Act

Article 645

Applications for registration in the court register relating to companies and made to the court of registration before the date of the start of application of this Act shall be acted upon as provided for in the statutory provisions in force at the time such applications were made to that court.

Cessation of effectiveness of other statutory provisions

Article 646 (OG 40/19)

On the day of the start of application of this Act the following statutory provisions shall cease to be in effect:

1. Enterprises Act (Official Gazette 53/91 and 58/93);
2. Chapter II. "Share" and other provisions of the Securities Act (Official Gazette 53/91) that refer to shares, except for the provision declaring them securities;
3. Foreign Investments Act (Official Gazette 53/91);
4. Article 3 and Articles 5 to 12 of the Foreign Trade Operations Act (Official Gazette 53/91);
5. Articles 95 to 98 of the Civil Obligations Act (Official Gazette 53/91 and 73/91).

Article 646a (OG 40/19)

Deleted.

Entry into force of this Act

Article 647

This Act shall enter into force on the eighth day after the day of its publication in the Official Gazette, and shall apply as of 1 January 1995.

Transitional and final provisions set out in OG 34/99

Article 10

This Act shall enter into force on the eighth day after the day of its publication in the Official Gazette.

Transitional and final provisions set out in OG 118/03

Article 319

(1) The amended provisions of Articles 162, 163, 389, 390, paragraph 1, and Article 445, paragraph 1, of the Act shall not apply to public limited companies and private limited companies registered in the court register prior to the date of application of this Act or companies which have submitted an application for the registration of their formation into the register prior to this date.

(2) The companies referred to in paragraph 1 of this Article shall adjust the amounts of share capital and parts thereof allocated to individual shares or capital contributions in line with the amended provisions of Articles 162, 163, 389 and 390 of the Act at time of the first change of that capital, consolidation, division of shares or business shares or exchange of shares with a par value for those without par value in respect of all shares or capital contributions in the company. The median exchange rate of the Croatian National Bank for the currency in which the share capital and the par value of shares or the capital contributions in the company are expressed shall be applied when calculating the amount of share capital and its parts attributable to shares or capital contributions, applicable on the day of the decision to convene the general meeting of the company resolving on the said decision on adjustment. The court of registration shall deny entry of changes in the court register which are not in accordance with the said provisions of the Act. Once the said changes concerning the private limited company are registered into the court register, the amended provisions of Article 445, paragraph 2, of the Act shall apply to that company.

(3) Public limited companies and private limited companies whose share capital and shares or capital contributions are, in accordance with the Act, expressed in German marks shall adjust them in accordance with the provisions of the amended Articles 162, 163, 389 and Article 390, paragraph 1, of the Act and submit the application to the court of registration for the registration of the change into the court register within one year from the date of the start of application of this Act. Companies whose share capital and shares or capital contributions are expressed in euros shall be obligated to do the same. The decision of the general meeting or the meeting of the company on the said adjustment to the Act shall be taken by a majority of the votes of shares or business shares represented at the time of the passing of the resolution, provided that shares or business shares amounting to at least half of the share capital of the company are present at the general meeting or the meeting of the company. The decision by the meeting of the private limited company must be made in the form of a notarial deed. In calculating the amount of share capital and its parts attributable to shares or capital contributions, the fixed official exchange rate of the German mark to euro of 1.95583 German marks for one euro and the median exchange rate of the Croatian National Bank for euro applicable on the date of the decision to convene the general meeting or the meeting of the company at which the said decision on adjustment is to be resolved shall be applied.

(4) For companies that fail to comply with the provisions of paragraph 3 of this Article it shall be deemed that on the first day following the expiry of one year from the date of the start of application of this Act reason for termination of the company has occurred which shall be entered into the court register by the court of registration ex officio.

Article 320

New provisions of Article 391, paragraphs 1 to 5, of the Act shall not apply to additional obligations that have been fully performed to the company prior to the date of the start of application of this Act.

Article 321

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Provisions of Articles 194a, 384a to 384c, Article 441, paragraph 1, item 10, and 472a of the Act shall not apply to companies registered in the court register prior to the date of the start of application of this Act.

Article 322

Provisions of Article 363a of this Act shall not apply to disputes in which the litigation had already commenced on the day of the start of application of this Act.

Article 323

For the application of the provisions of the Act, the articles of association and the memorandum of association in which the amount of share capital is determined as a threshold for the exercise of a certain right or for the existence of the obligation for the company to have a certain body or for determination of the composition of such body in the companies referred to in Articles 319, paragraph 1 and 3, of this Act, the median exchange rate of the Croatian National Bank for the currency in which the share capital, par value of shares or capital contributions are expressed, applicable on the date on which the right is exercised, or the obligation imposed, or the composition of a company body determined, shall apply.

Article 324

(1) A public limited company and a private limited company shall be committing a misdemeanour if they fail to adjust the share capital and shares or the capital contributions which, in accordance with this Act, are expressed in German marks, in line with the amended provisions of Articles 162, 163, 389 and Article 390, paragraph 1, of the Act, and fail to submit to the court of registration the application for the registration of the change into the court register within one year from the date of the start of application of this Act (Article 313, paragraph 3).

(2) The provisions of Article 630, paragraph 2, of the Act shall apply to the misdemeanour referred to in paragraph 1 of this Article.

Article 325

The Legislation Committee of the Croatian Parliament shall hereby be authorised to establish and prepare the consolidated text of the Commercial Companies Act.

Article 326

This Act shall enter into force on the eighth day after the day of its publication in the Official Gazette and shall apply as of 1 January 2004.

Transitional and final provisions set out in OG 107/07

Article 174

This Act shall be published in the Official Gazette, and shall enter into force on 1 April 2008, with the exception of the provisions of Article 142, which shall enter into force on the date of accession of the Republic of Croatia to the European Union.

Transitional and final provisions set out in OG 146/08

Article 2

This Act shall be published in the Official Gazette and shall enter into force on 1 January 2009.

Transitional and final provisions set out in OG 137/09

Article 240

This Act shall be published in the Official Gazette and shall enter into force on 1 May 2010.

Transitional and final provisions set out in OG 125/11

Article 381

(1) As of the date of entry into force of this Act, the following shall cease to be in effect:

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1. Criminal Code (Official Gazette 110/97, 27/98 – corrigendum, 50/00, 129/00, 51/01, 111/03, 190/03, 105/04, 84/05, 71/06, 110/07, 152/08 and 57/11), except for the provisions of Articles 84, 85 and 86, which shall cease to be in effect as of the date of entry into force of a special act governing the relevant issues;
 2. Act on Criminal Offences Against the Capital Market (Official Gazette 152/08);
 3. the provisions of Article 160 of the Act on the Execution of Prison Sentences (Official Gazette 128/99, 55/00, 59/00, 129/00, 59/01, 67/01, 11/02, 190/03, 76/07, 27/08, 83/09, 18/11 and 48/11);
 4. the provisions of Article 31 of the Accounting Act (Official Gazette 109/07);
 5. the provisions of Article 188 of the Act on Copyright and Related Rights (Official Gazette 167/03, 79/07 and 80/11.);
 6. the provisions of Article 65 of the Act on Archival Materials and Archives (Official Gazette 105/97, 64/00 and 65/09.);
 7. the provisions of Article 49 of the In Vitro Fertilisation Act (Official Gazette 88/09 and 137/09),
 8. the provisions of Articles 627 and 629 of the Commercial Companies Act (Official Gazette 111/93, 34/99, 121/99, 52/00, 118/03, 107/07, 146/08 and 137/09);
 9. provision of Article 129a, paragraph 1, of the Compulsory Health Insurance Act (Official Gazette, 150/08, 94/09., 153/09, 71/10, 139/10 and 49/11.), and the existing paragraph 2 shall become paragraph 1.
- (2) As of the date of entry into force of this Act, in Article 33, paragraph 1, of the Energy Act (Official Gazette 68/01, 177/04, 76/07, 152/08 and 127/10) the words: “that is, consumes energy without or beyond measuring devices” shall be deleted.

Article 382

The Government of the Republic of Croatia shall initiate the process of alignment, with the provisions of this Act, the corresponding provisions of the Criminal Procedure Act, the Act on Liability of Legal Persons for Criminal Offences, the Act on Juvenile Courts, the Act on the Protection of Persons with Mental Disabilities, the Act on Execution of Prison Sentences, the Act on Probation and other acts that contain criminal provisions and other provisions relevant to the application of this Act.

Article 383

In accordance with the provisions of this Act, the competent ministers shall adopt, within 30 days from the date of entry into force of this Act, the following regulations:

1. the minister competent for justice shall issue regulations on the procedure for pronouncement and implementation of conditional release (Articles 59 to 63), on the execution of protective supervision (Article 64), on the execution of security measures (Articles 65 to 76), on criminal records and how data from those records are used (Article 381, paragraph 1, item 1);
2. the minister competent for health shall issue a list of therapeutic communities licensed for the implementation of the security measure of mandatory addiction treatment (Article 69), a list of legal or natural persons licensed for the implementation of the security measure of mandatory psychosocial treatment (Article 70) and a list of substances prohibited in sports (Articles 190 and 191).

Article 384

The enforcement of criminal sanctions pronounced in a final decision in accordance with the provisions of the Criminal Code and other special regulations referred to in Article 381, paragraph 1, of this Act, the enforcement of which has not yet begun or is pending, shall be carried out in accordance with the provisions of this Act as of the date of its entry into force.

Article 385

If by the entry into force of this Act the statute of limitations for confiscation of assets has not expired, the provision of Article 85, paragraph 4, of this Act shall apply.

Article 386

This Act contains provisions that are aligned with the following acts of the European Union:

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1. Directive 2008/99/EC of the European Parliament and of the Council of 28 November 2002 on the protection of the environment through criminal law;
2. Directive 2009/52/EC of the European Parliament and of the Council of 18 June 2009 providing for minimum standards on sanctions and measures against employers of illegally staying third-country nationals;
3. Directive 2010/45/EU of the European Parliament and of the Council of 7 July 2010 on standards of quality and safety of human organs intended for transplantation;
4. Directive 2005/35/EC of the European Parliament and of the Council of 7 September 2005 on ship-source pollution and on the introduction of penalties for infringements;
5. Directive 2009/123/EC of the European Parliament and of the Council of 21 October 2009 amending Directive 2005/35/EC on ship-source pollution and on the introduction of penalties for infringements;
6. Directive 2006/12/EC of the European Parliament and of the Council of 5 April 2006 on waste;
7. Seveso II Directive 96/82/EC, Directive 2003/105/EC on the control of major-accident hazards involving dangerous substances;
8. Directive 2002/90/EC of the European Parliament and of the Council of 28 November 2002 defining the facilitation of unauthorised entry, transit and residence;
9. Directive 2003/6/EC of the European Parliament and of the Council of 28 January 2003 on insider dealing and market manipulation (market abuse);
10. Council Framework Decision 2008/913/JHA of 28 November 2008 on combating certain forms and expressions of racism and xenophobia by means of criminal law;
11. Council Framework Decision of 24 February 2005 on Confiscation of Crime-Related Proceeds, Instrumentalities and Property;
12. Council Framework Decision 2002/629/JHA of 19 July 2002 on combating trafficking in human beings;
13. Council Framework Decision 2001/500/JHA of 26 June 2001 on money laundering, the identification, tracing, freezing, seizing and confiscation of instrumentalities and the proceeds of crime;
14. Council framework Decision 2002/946/JHA of 28 November 2002 on the strengthening of the penal framework to prevent the facilitation of unauthorised entry, transit and residence;
15. Council Framework Decision 2002/475/JHA of 13 June 2002 on combating terrorism;
16. Council Framework Decision 2005/212/JHA of 24 February 2005 on Confiscation of Crime-Related Proceeds, Instrumentalities and Property;
17. The Convention of 26 July 1995, drawn up on the basis of Article K.3 of the Treaty on European Union, on the protection of the European Communities' financial interests (OJ C 316, 27.11.1995, p. 49);
18. Protocol of 27 September 1996, drawn up on the basis of Article K.3 of the Treaty on European Union, to the Convention on the protection of the European Communities' financial interests (OJ C 313, 23.10.1996, p. 2);
19. Second Protocol of 19 June 1997, drawn up on the basis of Article K.3 of the Treaty on European Union, to the Convention on the protection of the European Communities' financial interests (OJ C 221, 19.7.1997, p. 12);
20. Convention implementing the Schengen Agreement.

Article 387

This Act shall be published in the Official Gazette and shall enter into force on 1 January 2013.

Transitional and final provisions set out in OG 111/12

Article 48

This Act shall enter into force on the eighth day after the day of its publication in the Official Gazette.

Transitional and final provisions set out in OG 68/13

Article 2

This Act shall enter into force on the eighth day after the day of its publication in the Official Gazette.

Transitional and final provisions set out in OG 110/15

Article 14

This Act shall be published in the Official Gazette and shall enter into force on 1 November 2015.

Transitional and final provisions set out in OG 40/19

Article 92

The sole trader shall be deleted from the court register ex officio on the date of entry into force of this Act.

The deletion of the sole trader from the court register in accordance with paragraph 1 of this Article shall be without effect on the rights and obligations of the sole trader who shall retain their rights and obligations as a natural person who independently performs an economic activity in accordance with regulations on trades and crafts.

Article 93

By way of derogation from Article 34 of this Act, the supervisory board or the board of directors shall have the obligation to establish or approve the remuneration policy as of 1 May 2020.

Article 94

Average remuneration referred to in Article 40 of this Act, until the expiry of the fifth financial year counting from the financial year preceding the general meeting held after the entry into force of the provision of Article 40 of this Act, shall be calculated on the basis of the average remuneration for the period from the financial year preceding that general meeting.

Article 95

The minister competent for judicial matters shall issue ordinances referred to in Articles 26 and 64 of this Act by 1 January 2020, and the ordinance referred to in Article 70 of this Act within 60 days from the date of entry into force of this Act.

Article 96

This Act shall enter into force on the first day from the day of its publication in the Official Gazette, with the exception of Articles 38 and 40 of this Act which shall enter into force on 1 May 2020, and Articles 32, 41, 44, 45, 46, 47, 48, Article 292, paragraph 10 which is amended by Article 50 of this Act, Articles 51, 57, 59 and Article 631, paragraph 1, item 22 which is amended by Article 88 of this Act, which shall enter into force on 1 January 2021.

Transitional and final provisions set out in OG 34/22

Article 31

As of the date of entry into force of this Act, the Ordinance on the amount of fee for the storage and keeping of books and records of the company after its deletion from the court register (Official Gazette 6/20) shall cease to be in effect.

Article 32

The minister competent for judicial matters shall issue the ordinance referred to in Article 239, as amended by Article 9 of this Act, by 15 July 2023.

The ministry competent for judicial matters shall organise the records referred to in Article 239, as amended by Article 9 of this Act, by 1 August 2023.

Article 33

This Act shall enter into force on 1 June 2022, except for Article 8 as amended by Article 2 of this Act, Article 387 as amended by Article 15 of this Act, Article 397a as amended by Article 17 of this Act, Article 397b as amended by

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Article 18 of this Act, Article 397e as amended by Article 19 of this Act, Article 397f as added by Article 20 of this Act and Article 613 as amended by Article 28 of this Act, which shall enter into force on 1 August 1 2023.

Transitional and final provisions set out in OG 114/22

Article 21 (OG 18/23, 130/23)

(1) Provisions of Article 161 as amended by Article 1 of this Act, Article 162 as amended by Article 2 of this Act, Article 163 as amended by Article 3 of this Act, Article 389 as amended by Article 12 of this Act, Article 390 as amended by Article 13 of this Act, Article 390a as amended by Article 14 of this Act and Article 445 as amended by Article 16 of this Act shall not apply to public limited companies and private limited companies registered in the court register before the date of the introduction of the euro as the official currency in the Republic of Croatia or to companies for which an application was submitted to the court of registration for the registration of their formation in that register before that date.

(2) Public limited companies referred to in paragraph 1 of this Article shall adjust the amounts of share capital and parts of that capital allocated to individual shares in line with the provisions of Article 161 as amended by Article 1 of this Act, Article 162 as amended by Article 2 of this Act and Article 163 as amended by Article 3 of this Act, at the time of the first change of that capital, consolidation, division or exchange of shares with a par value for those without par value, but no later than one year after the day of the introduction of the euro as the official currency in the Republic of Croatia. The adjustment shall cover the share capital and all shares of the company. In the adjustment procedure, it is permitted to exchange shares with a par value for those without par value and vice versa.

(3) Private limited companies referred to in paragraph 1 of this Article shall adjust the amounts of the share capital and the parts of that capital allocated to individual business shares in line with the provisions of Article 389 as amended by Article 12 of this Act, Article 390 as amended Article 13 of this Act, Article 390a as amended by Article 14 of this Act and Article 445 as amended by Article 16 of this Act. The adjustment obligation is not limited by a time period, but it must be carried out during the first amendment of the deed of formation or the memorandum of association, the status change of the company or the change of one of the business shares in the company. The adjustment does not have to be carried out at the transfer or other disposition of a business share, nor in connection with the transfer or other disposition of a business share. When carried out, the adjustment shall cover the share capital and all business shares of the company.

(4) The resolution on adjustment referred to in paragraphs 2 and 3 of this Article shall be adopted by the general meeting or the meeting of the company. When adopting the resolution, the quorum requirement does not have to be met, even if it is otherwise required by law or in the company to pass a resolution at the general meeting or the meeting of the company. The resolution shall be passed by a simple majority, even when it resolves on the exchange of shares with a par value for shares without par value and vice versa. Holders of preferred shares shall participate in the passing of the resolution at the general meeting, even if it is determined that they do not otherwise have the right to vote at the general meeting. In order for the resolution of the general meeting to be valid, it shall not be required that a separate resolution of the shareholders, who normally pass resolutions at a separate meeting or by separate voting, be passed at such meeting. The resolution on adjustment shall also have the effect of a corresponding resolution on the changes in the share capital and the resolution on the amendment of the articles of association of the public limited company or the memorandum of association or the deed of formation of the private limited company. The resolution by the meeting of the private limited company shall be made in the form of a notarial deed.

(5) When recalculating the existing amount of share capital and its parts allocated to shares or business shares, the fixed HRK to EUR conversion rate shall be applied, subject to rounding to the nearest cent, in accordance with the rules for recalculation and rounding as regulated by the Act on the Introduction of the Euro as the Official Currency in the Republic of Croatia (Official Gazette 57/22 and 88/22 – corrigendum). If the share or business share has not been paid in full, the payment obligation shall be recalculated by using the same exchange rate and the same rules on recalculation and rounding.

(6) Pursuant to the resolution on the adjustment of the amount of share capital and par values of shares or business shares, obtained by recalculation and rounding referred to in paragraph 5 of this Article, the public limited company or private limited company shall increase or reduce the share capital to the extent necessary for the share capital and par value of shares or business shares to be in line with the provisions of Article 161 as amended by Article 1 of this Act, Article 162 as amended by Article 2 of this Act, Article 163 as amended by Article 3 of this Act, Article 389 as

amended by Article 12 of this Act, Article 390 as amended by Article 13 of this Act, Article 390a as amended by Article 14 of this Act and Article 445 as amended by Article 16 of this Act.

(7) If the share capital and par value of shares or business shares are increased as part of the adjustment, the statutory reserves, capital reserves and reserves provided by the articles of association or the memorandum of association even when it is not stipulated that they may be used for this purpose, other reserves from the profit, the retained earnings of the company and the undistributed profit of the business year may be used. These reserves and retained earnings may be used in adjustment without any limitation. Own shares or business shares shall participate in the adjustment and corresponding increase of the share capital.

(8) If the share capital and the par value of shares or business shares are reduced as part of the adjustment, the amount by which the share capital is reduced may be used to cover the loss or placed into the capital reserves. The reduction shall not be subject to the limitation referred to in Article 349, paragraph 2, or Article 465b of the Commercial Companies Act (Official Gazette 111/93, 34/99, 121/99 – authentic interpretation, 52/00 – Decision of the Constitutional Court of the Republic of Croatia, 118/03, 107/07, 146/08, 137/09, 125/11, 152/11 – consolidated text, 111/12, 68/13, 110/15, 40/19 and 34/22). The amount by which the share capital is reduced shall not be paid to the shareholders or company members, nor may it be used to release them from the payment of the share or business share. A shareholder or company member who has not paid their share or business share in full, and whose obligation to pay would be extinguished or reduced due to the reduction of the par value of the share or business share, shall be required to pay to the company the corresponding amount due to which the obligation was extinguished or reduced by way of payment as if the share or the business share was issued for a higher amount than the amount of the part of the reduced share capital allocated to the share or business share. The amount paid in that manner shall be recorded in the capital reserves.

(9) In the course of carrying out the adjustment, nobody's membership rights shall be reduced, unless they explicitly agree to it at the time of the passing of the resolution or in a written statement made in the form of a notarial deed or a private document certified by a notary public. A reduction in the par value of a share or business share shall not be deemed a reduction of membership rights if it does not affect the relations between the company members. To the extent that particular rights arising from partly paid shares or business shares are determined in accordance with the proportion of the amount already paid, these rights shall accrue to the shareholders or company members only in proportion to the amount of the shares already paid, increased by the percentage of the increase in the share capital over the par value of the share or business share.

(10) For public limited companies failing to comply with the provisions of paragraph 2 of this Article in the prescribed time period, it shall be deemed that a ground for the dissolution of the company has arisen the first day following the expiry of that time period, which shall be registered in the court register by the court of registration ex officio.

(11) For the application of the provisions of the Act, the articles of association and memorandum of association in which the amount of share capital is determined as a threshold for the exercise of a certain right or for the existence of an obligation for the company to have a certain body or for determination of the composition of such body in the companies referred to in paragraph 1 of this Article, until they carry out the adjustment, the fixed HRK to EUR conversion rate shall be applicable, subject to rounding to the nearest cent, in accordance with the rules for recalculation and rounding as stipulated by the Act on the Introduction of the Euro as the Official Currency in the Republic of Croatia (Official Gazette 57/22 and 88/22 – corrigendum).

(12) Public limited companies that have determined the amounts in the articles of association pursuant to the provisions of Article 167, paragraph 3, Article 222a, paragraph 3, item 1, and Article 269, paragraph 1, of the Commercial Companies Act (Official Gazette 111/93, 34/99, 121/99 – authentic interpretation, 52/00 – Decision of the Constitutional Court of the Republic of Croatia, 118/03, 107/07, 146/08, 137/09, 125/11, 152/11 – consolidated text, 111/12, 68/13, 110/15, 40/19 and 34/22) shall, when adjusting the share capital in line with the provisions of this Act, also state these amounts in euro in the articles of association by applying the fixed HRK to EUR conversion rate, subject to rounding to the nearest cent, in accordance with the rules for recalculation and rounding as stipulated by the Act on the Introduction of the Euro as the Official Currency in the Republic of Croatia (Official Gazette 57/22 and 88/22 – corrigendum). This shall also apply to all other monetary amounts that are expressed in HRK in the articles of association.

(13) Private limited companies that have determined in their memorandum of association or deed of formation the amounts of reserves provided for in that act shall, when adjusting the share capital in line with the provisions of this Act, also state these amounts in euro in the memorandum of association or deed of formation, by applying the fixed HRK to EUR conversion rate, subject to rounding to the nearest cent, in accordance with the rules for recalculation and rounding as stipulated by the Act on the Introduction of the Euro as the Official Currency in the Republic of Croatia (Official Gazette 57/22 and 88/22 – corrigendum). This shall also apply to all other monetary amounts that are expressed in HRK in the memorandum of association or deed of formation.

Article 22 (OG 18/23)

- (1) The amount of a limited partner's contribution registered in the court register in HRK shall be converted into EUR on the day the euro is introduced, subject to rounding to the nearest cent, by applying the fixed HRK to EUR conversion rate and in accordance with the rules for recalculation and rounding as regulated by the Act on the Introduction of the Euro as the Official Currency in the Republic of Croatia (Official Gazette 57/22 and 88/22 – corrigendum). The converted amount shall be registered in the court register by the court of registration ex officio.
- (2) The members of limited partnerships shall carry out adjustments in the memorandum of association so that the amounts of the limited partner's contributions are rounded to whole euro amounts, and submit a corresponding application to the court of registration in order to register the amendment to the memorandum of association and to register the amount of the limited partner's contributions. The adjustment obligation shall not be limited by a time period, but it must be carried out during the first amendment to the memorandum of association.
- (3) All other amounts expressed in HRK in the memorandum of association of a limited partnership, as well as all amounts expressed in HRK in the memorandum of association of a general partnership, a silent partnership and an economic interest grouping, shall be converted into euro by applying the fixed HRK to EUR conversion rate, subject to rounding to the nearest cent, in accordance with the rules for recalculation and rounding as stipulated by the Act on the Introduction of the Euro as the Official Currency in the Republic of Croatia (Official Gazette 57/22 and 88/22 – corrigendum).

Article 23

Registration of all changes and amendments in the court register in order to comply with the provisions of this Act in connection with the introduction of the euro as the official currency in the Republic of Croatia shall be carried out by the court of registration free of charge.

Article 24

This Act shall be published in the Official Gazette, and shall enter into force on the day of the introduction of the euro as the official currency in the Republic of Croatia.

Transitional and final provisions set out in OG 18/23

Article 20

This Act shall enter into force on the first day after the day of its publication in the Official Gazette.

Transitional and final provisions set out in OG 130/23

Article 118

As of the date of entry into force of this Act, the provisions of Articles 222, 223, 224 and 225 of the Labour Act (Official Gazette 149/09, 61/11, 82/12 and 73/13) shall cease to be in effect.

Article 119

The minister competent for judicial matters shall align the Ordinance on the content, method of keeping and terms and conditions of the use of the records on persons who may not be members of the management board of a commercial company (Official Gazette, 27/23) with the provisions of this Act by 1 January 2024.

Article 120

This Act shall enter into force on the eighth day after the day of its publication in the Official Gazette, except for the provisions of Articles 4 and 5 of this Act, which shall enter into force on 1 January 2024.

Transitional and final provisions set out in OG 136/24

Compliance with the obligation of balanced representation
of women and men in the company bodies and the obligation
to disclose shareholders' agreements
during the transitional period

Article 37

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- (1) In companies where there is an obligation to ensure balanced representation of women and men on the supervisory board and the board of directors, the terms of offices of current members of the supervisory board and the board of directors may continue until their regular expiry.
- (2) Companies referred to in paragraph 1 of this Article shall, when electing a member of the supervisory board and board of directors at the general meeting convened after the date of entry into force of this Act, be required to elect members of the under-represented sex to the supervisory board and the board of directors until balanced representation of women and men on the company's supervisory board and the board of directors is achieved, in accordance with the provisions of this Act.
- (3) Companies whose shares are traded on a regulated market shall be required to align the composition of their supervisory board and board of directors with the requirement that at least one member of that board be independent, at the time of the first election of a member of the supervisory board or board of directors at the general meeting convened after the date of entry into force of this Act. The terms of offices of current members of the supervisory board or the board of directors may continue until their regular expiry.
- (4) Shareholders who, on the date of entry into force of this Act, are already parties to an agreement referred to in Article 293a, as added by Article 23 of this Act, shall be required to notify the company thereof within six months. Upon receipt of such notification, the company shall, without delay, submit an application for registration of this information in the court register. The obligation to notify does not apply if the company is already aware of the existence of such an agreement. If the company is aware of the existence of a shareholders' agreement, it shall, within six months from the date of entry into force of this Act, submit an application for registration of this information in the court register. The company is authorised to request the necessary information from the shareholders for this purpose.

Entry into force

Article 38

This Act shall enter into force on the eighth day from the day of its publication in the Official Gazette, with the exception of Article 272t as added by Article 13 of this Act, which shall enter into force on 1 July 2026.

ANNEX 1 (OG 114/22)

Protocol for the Formation of a Single-Member Simple Private Limited Company

number from the notary public's register

In on (in words:)

..... appeared before me in my public notary's office and made the following

Declaration on the Formation of a Simple Private limited Company.

1. By making this declaration I, ..., form a simplified private limited company operating under the corporate name of

abbreviated corporate name:

with seat in

2. The share capital of the company amounts to EUR (in words: EUR).

The founder of the company undertakes to fully pay up the share in money prior to the company's registration in the court register.

The founder acquires one share of the par value which corresponds to the amount of the share capital of the company.

3. The management board comprises one member. Such member shall represent the company by acting solely and subject to no restrictions.

4. The company is formed for a definite/indefinite period of time.

5. The company shall bear formation costs up to the amount of EUR 250.00 (in words: two hundred fifty euro), which amount, however, shall not exceed the amount of the share capital.

The founder of the company stated that hereby they also make the decision establishing the company's objects, appointing the member of the management board and establishing the business address of the company:

1. The company's objects include the following:

1.

2.

3.

2. The appointed member of the management board is:

.....

3. The address of the company at its seat is:

.....

4. Proposal of the company's principal object for the classification of the business entity for the purposes of the Croatian Bureau of Statistics is:

.....

The member of the management board declares as follows:

"I hereby declare that no circumstances preventing my appointment as the company's director such as those referred to in Article 239, paragraph 2, in connection with Article 394, paragraph 5, item 6, of the Companies Act exist. I have not been convicted of the criminal offence of money laundering, terrorist financing, breach of trust in commercial transactions, fraud in commercial transactions, causing bankruptcy, preferential treatment of a creditor, or violation of the obligation to keep books and records, referred to in the Criminal Code of the Republic of Croatia, or the previously stipulated criminal offences of bankruptcy abuse and abuse of bankruptcy proceedings, nor of a criminal offence under the law of another country essentially corresponding to the aforementioned criminal offences referred to in the Criminal Code of the Republic of Croatia. I am not the subject of any international restrictive measure in force in the Republic of Croatia regarding the disposal of assets, nor of a safety measure prohibiting the performance of duties or activities that are in whole or in part encompassed by the company's objects, nor is there any measure in force in any other country prohibiting me from performing duties or activities that are in whole or in part encompassed by the company's objects.

I hereby declare that I accept the appointment as the director of this company.

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I hereby declare that I have been acquainted with the obligation to report to the court any changes of data registered in the court register.”

Signature of the director:

I have assured myself that the party is capable and authorised to make this declaration, have explained to it the meaning and the consequences of making this declaration and have assured myself of the party’s true and serious intentions. I hereby also confirm that this notarial protocol has been read out to the party.

Certified copies of this protocol have been issued to the founder, the company and the court register.

Pursuant to Tariff No _ and the Notary Stamp Duty Act a notary stamp duty in the amount of EUR __ has been determined.

Pursuant to Article __ of the Temporary Notary Tariff Ordinance a notary fee in the amount of EUR __. + VAT has been determined.

Founder:

Notary Public:

This template shall be filled in by the notary public in accordance with the applicable statutory provisions. Any unnecessary data shall be left out.

ANNEX 2 (OG 114/22)

Protocol for the formation of a multi-member simplified private limited company (composed of up to five members)

number from the notary public's register

In on (in words:)

the following persons:

1.
2.
3.
4.
5.

and concluded

a Company Agreement establishing a simple private limited company composed of up to five members.

This Company Agreement establishes a simple private limited company operating under the firm name of

1.

abbreviated corporate name:

with seat in

2. The share capital of the company amounts to EUR (in words: EUR).

3. The founders of the company undertake to pay for the shares in the following manner:

1. acquires one share of the par value of EUR (in words: EUR).
2. acquires one share of the par value of EUR (in words: EUR).
3. acquires one share of the par value of EUR (in words: EUR).
4. acquires one share of the par value of EUR (in words: EUR).
5. acquires one share of the par value of EUR (in words: EUR).

Acquired shares shall be fully paid up in money before the registration of the company in the court register.

4. The management board comprises one member. Such member shall represent the company by acting solely and subject to no restrictions.

5. The company is formed for a definite/indefinite period of time.

6. The company shall bear formation costs up to the amount of EUR 250.00 (in words: two hundred fifty euro), which amount, however, shall not exceed the amount of the share capital.

The founders of the company stated that hereby they also make the decision establishing the company's objects, appointing the member of the management board and establishing the business address of the company:

1. The company's objects include the following:

1.
2.
3.

2. The appointed member of the management board is:

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.....
3. The address of the company at its seat is:

.....
The member of the management board declares as follows:

“I hereby declare that no circumstances preventing my appointment as the company’s director such as those referred to in Article 239, paragraph 2, in connection with Article 394, paragraph 5, item 6, of the Companies Act exist. I have not been convicted of the criminal offence of money laundering, terrorist financing, breach of trust in commercial transactions, fraud in commercial transactions, causing bankruptcy, preferential treatment of a creditor, or violation of the obligation to keep books and records, referred to in the Criminal Code of the Republic of Croatia, or the previously stipulated criminal offences of bankruptcy abuse and abuse of bankruptcy proceedings, nor of a criminal offence under the law of another country essentially corresponding to the aforementioned criminal offences referred to in the Criminal Code of the Republic of Croatia. I am not the subject of any international restrictive measure in force in the Republic of Croatia regarding the disposal of assets, nor of a safety measure prohibiting the performance of duties or activities that are in whole or in part encompassed by the company’s objects, nor is there any measure in force in any other country prohibiting me from performing duties or activities that are in whole or in part encompassed by the company’s objects.

I hereby declare that I accept the appointment as the director of this company.

I hereby declare that I have been acquainted with the obligation to report to the court any changes of data registered in the court register.”

Signature of the director:

I have assured myself that the parties are capable and authorised to make this declaration, have explained to them the meaning and the consequences of making this declaration and have assured myself of the parties’ true and serious intentions. I hereby also confirm that this notarial protocol has been read out to the parties.

Certified copies of this protocol have been issued to each of the founders, the company and the court register.

Pursuant to Tariff No _ and the Notary Stamp Duty Act a notary stamp duty in the amount of EUR __ has been determined.

Pursuant to Article __ of the Temporary Notary Tariff Ordinance a notary fee in the amount of EUR __. + VAT has been determined.

Founder:

Notary Public:

This template shall be filled in by the notary public in accordance with the applicable statutory provisions. Any unnecessary data shall be left out.

ANNEX 3 (OG 114/22)

**Form of the Statement on Establishment of a Single-Member Simple Private Limited Company and
Accompanying Decisions and Statements Used during Remote Establishment of That Company**

By making this declaration I, _____, as the founder and sole member of the company, form a simplified private limited company (hereinafter: the Company), and adopt the basic organisational act of that Company with the following content:

(Note: Fill in for a natural person their name, domicile and personal identification number, and for a legal person firm name, seat, registration number and personal identification number)

**DEED OF FORMATION
OF A SIMPLIFIED PRIVATE LIMITED COMPANY**

Article 1

(1) Corporate name is: _____

(2) Abbreviated corporate name is: _____

(Note: The electronic platform may provide that the founder, if desired, gives an explanation of the selected corporate name).

Article 2

The seat of the company is in _____.

Article 3

(1) The share capital of the company amounts to EUR (in words: EUR).

(2) The founder of the company undertakes to fully pay up the share in money prior to the company's registration in the court register.

(3) The founder acquires one share of the par value which corresponds to the amount of the share capital of the company.

Article 4

The management board comprises one member. Such member shall represent the company by acting solely and subject to no restrictions.

Article 5

The company is formed for an indefinite/definite period of time of _____ years.

(Note: The founder shall select one of the offered options. If they select that the company is formed for a definite period of time, the duration of the company shall be determined in full years).

Article 6

The company shall bear formation costs up to the amount of EUR 250.00 (in words: two hundred fifty euro), which amount, however, shall not exceed the amount of the share capital.

Place and date: _____

Full name, domicile and personal identification number of the founder:

Signature:

**DECISION ESTABLISHING THE COMPANY'S OBJECTS, APPOINTING THE MEMBER OF THE
MANAGEMENT BOARD AND ESTABLISHING THE BUSINESS ADDRESS**

Point 1

The company's objects include the following:

1.
2.

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3.

Item 2

The appointed member of the management board is:

Item 3

The address of the company at its seat is:

Item 4

Proposal of the company's principal object for the classification of the business entity for the purposes of the Croatian Bureau of Statistics is:

Place and date:

Full name, domicile and personal identification number of the founder:

Signature:

DECLARATION OF THE MEMBER OF THE MANAGEMENT BOARD

The member of the management board declares as follows:

"I hereby declare that no circumstances preventing my appointment as the company's director such as those referred to in Article 239, paragraph 2, in connection with Article 394, paragraph 5, item 6, of the Companies Act exist. I have not been convicted of the criminal offence of money laundering, terrorist financing, breach of trust in commercial transactions, fraud in commercial transactions, causing bankruptcy, preferential treatment of a creditor, or violation of the obligation to keep books and records, referred to in the Criminal Code of the Republic of Croatia, or the previously stipulated criminal offences of bankruptcy abuse and abuse of bankruptcy proceedings, nor of a criminal offence under the law of another country essentially corresponding to the aforementioned criminal offences referred to in the Criminal Code of the Republic of Croatia. I am not the subject of any international restrictive measure in force in the Republic of Croatia regarding the disposal of assets, nor of a safety measure prohibiting the performance of duties or activities that are in whole or in part encompassed by the company's objects, nor is there any measure in force in any other country prohibiting me from performing duties or activities that are in whole or in part encompassed by the company's objects.

I hereby declare that I accept the appointment as the director of the company

.....

I hereby declare that I have been acquainted with the obligation to report to the court any changes of data entered into the court register.

I hereby confirm the completeness and accuracy of my personal data and confirm that I agree that my personal data may be used and processed in the remote formation procedure."

Place and date:

Full name, domicile and personal identification number of the member of the management board:

Signature:

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ANNEX 4 (OG 114/22)

Form of the Company Agreement of a Multi-Member Simple Private Limited Company (Composed of Up to Five Members) an Accompanying Decisions and Statements Used during Remote Establishment of That Company

1. _____;
2. _____;
3. _____;
4. _____;
5. _____;

(Note: No less than two, and no more than five members may be entered. Fill in for a natural person their full name, domicile and personal identification number, and for a legal person corporate name, seat, registration number and personal identification number)

as founders and members of the company, we hereby declare that we form a simplified private limited company and conclude this

**MEMORANDUM OF ASSOCIATION
OF A SIMPLIFIED PRIVATE LIMITED COMPANY**

Article 1

(1) Corporate name is: _____

(2) Abbreviated corporate name is: _____

(Note: The electronic platform may provide that the founders, if desired, give an explanation of the selected corporate name).

Article 2

The seat of the company is in _____.

Article 3

(1) The share capital of the company amounts to EUR (in words: EUR).

(2) The founders of the company undertake to pay for the shares in the following manner:

1. _____ acquires one share of the par value of EUR _____ (in words: EUR _____).
2. _____ acquires one share of the par value of EUR _____ (in words: EUR _____).
3. _____ acquires one share of the par value of EUR _____ (in words: EUR _____).
4. _____ acquires one share of the par value of EUR _____ (in words: EUR _____).
5. _____ acquires one share of the par value of EUR _____ (in words: EUR _____).

(3) Acquired shares shall be fully paid up in money before the registration of the company in the court register.

(Note: The lowest par value of a share shall be EUR 1.00, and the share capital shall correspond to the sum of the par value of all shares.)

Article 4

The management board comprises one member. Such member shall represent the company by acting solely and subject to no restrictions.

Article 5

The company is formed for a definite/indefinite period of time.

(Note: Founders must select one of the offered options. If they select that the company is formed for a definite period of time, the duration of the company shall be determined in full years).

Article 6

The company shall bear formation costs up to the amount of EUR 250.00 (in words: two hundred fifty euro), which amount, however, shall not exceed the amount of the share capital.

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Place: _____. The memorandum of association was concluded on the day when the court register system recorded that the last of the founders confirmed the acceptance of the memorandum of association.

Full name, domicile and personal identification number of each of the founders:

Signature:

DECISION ESTABLISHING THE COMPANY'S OBJECTS, APPOINTING THE MEMBER OF THE MANAGEMENT BOARD AND ESTABLISHING THE BUSINESS ADDRESS

Point 1

The company's objects include the following:

1.
2.
3.

Item 2

The appointed member of the management board is:

Item 3

The address of the company at its seat is:

Item 4

Proposal of the company's principal object for the classification of the business entity for the purposes of the Croatian Bureau of Statistics is:

Place and date: _____

Full name, domicile and personal identification number of each of the founders:

Signature:

DECLARATION OF THE MEMBER OF THE MANAGEMENT BOARD

The member of the management board declares as follows:

"I hereby declare that no circumstances preventing my appointment as the company's director such as those referred to in Article 239, paragraph 2, in connection with Article 394, paragraph 5, item 6, of the Companies Act exist. I have not been convicted of the criminal offence of money laundering, terrorist financing, breach of trust in commercial transactions, fraud in commercial transactions, causing bankruptcy, preferential treatment of a creditor, or violation of the obligation to keep books and records, referred to in the Criminal Code of the Republic of Croatia, or the previously stipulated criminal offences of bankruptcy abuse and abuse of bankruptcy proceedings, nor of a criminal offence under the law of another country essentially corresponding to the aforementioned criminal offences referred to in the Criminal Code of the Republic of Croatia. I am not the subject of any international restrictive measure in force in the Republic of Croatia regarding the disposal of assets, nor of a safety measure prohibiting the performance of duties or activities that are in whole or in part encompassed by the company's objects, nor is there any measure in force in any other country prohibiting me from performing duties or activities that are in whole or in part encompassed by the company's objects.

I hereby declare that I accept the appointment as the director of the company

.....

I hereby declare that I have been acquainted with the obligation to report to the court any changes of data entered into the court register.

I hereby confirm the completeness and accuracy of my personal data and confirm that I agree that my personal data may be used and processed in the remote formation procedure."

Place and date: _____

Full name, domicile and personal identification number of the member of the management board:

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ANNEX 5 (OG 114/22)

Form of the Statement on Establishment of a Single-Member Private limited Company and Accompanying Decisions and Statements Used during Remote Establishment of That Company

By making this declaration I, _____, as the founder and sole member of the company, hereby form a private limited company (hereinafter: the Company), and adopt the basic organisational act of that Company with the following content:

(Note: Fill in for a natural person their name, domicile and personal identification number, and for a legal person firm name, seat, registration number and personal identification number)

**DEED OF FORMATION
OF A PRIVATE LIMITED COMPANY**

Article 1

(1) Corporate name is: _____

(2) Abbreviated corporate name is: _____

(Note: The electronic platform may provide that the founder, if desired, give an explanation of the selected corporate name).

Article 2

The seat of the company is in _____.

Article 3

(1) The share capital of the company amounts to EUR (in words: EUR).

(2) The founder of the company undertakes to pay up at least one quarter of the par value of the share in money prior to the company's registration in the court register.

(3) The founder acquires one share of the par value which corresponds to the amount of the share capital of the company.

(Note: The minimum amount of the share capital shall be EUR 2500.00. All larger amounts of share capital shall be a multiple of 10. The par value of the acquired share shall correspond to the amount of the share capital.)

Article 4

(1) The management board comprises one member. Such member shall represent the company by acting solely and subject to no restrictions.

(2) The member of the management board is appointed by a decision of company members.

OR (if the management board has more than one member)

Article 4

(1) The management board has _____ member / _____ members.

(2) Members of the company appoint by way of a decision members of the management board and one of them as the chairperson of the management board.

(3) Members of the management board jointly undertake the activities of managing the company's operations. / Each member of the management board is authorised to independently undertake the activities of managing the company's operations.

(4) Members of the management board represent the company: each of them by acting solely and subject to no restrictions / two members together / a member of the management board together with an authorised signatory / jointly.

(Note: The electronic platform enables the founder to select between the option when the management board has only one member and the option when the management board consists of more than one member. In the latter case, the founder, when filling in the form, selecting between the options offered, determines the manner of the management of the company's operations and the manner of representing the company.)

Article 5

The company is formed for an indefinite/definite period of time of _____ years.

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(Note: The founder shall select one of the offered options. If they select that the company is formed for a definite period of time, the duration of the company shall be determined in full years).

Article 6

The company shall bear formation costs up to the amount of EUR 250.00 (in words: two hundred fifty euro).

Place and date: _____

Full name, domicile and personal identification number of the founder:

Signature:

DECISION ESTABLISHING THE COMPANY'S OBJECTS, APPOINTING THE MEMBER OF THE MANAGEMENT BOARD AND ESTABLISHING THE BUSINESS ADDRESS

Point 1

The company's objects include the following:

1.
2.
3.

Item 2

The appointed member/members of the management board is/are: _____,
and the appointed chairperson of the management board (if the management board has more than one member) is
.....

Point 3

The address of the company at its seat is:

Item 4

Proposal of the company's principal object for the classification of the business entity for the purposes of the Croatian Bureau of Statistics is:

Place and date: _____

Full name, domicile and personal identification number of each of the founders:

Signature:

DECLARATION OF THE MEMBER OF THE MANAGEMENT BOARD

The member of the management board declares as follows:

"I hereby declare that no circumstances preventing my appointment as the company's director such as those referred to in Article 239, paragraph 2, in connection with Article 394, paragraph 5, item 6, of the Companies Act exist. I have not been convicted of the criminal offence of money laundering, terrorist financing, breach of trust in commercial transactions, fraud in commercial transactions, causing bankruptcy, preferential treatment of a creditor, or violation of the obligation to keep books and records, referred to in the Criminal Code of the Republic of Croatia, or the previously stipulated criminal offences of bankruptcy abuse and abuse of bankruptcy proceedings, nor of a criminal offence under the law of another country essentially corresponding to the aforementioned criminal offences referred to in the Criminal Code of the Republic of Croatia. I am not the subject of any international restrictive measure in force in the Republic of Croatia regarding the disposal of assets, nor of a safety measure prohibiting the performance of duties or activities that are in whole or in part encompassed by the company's objects, nor is there any measure in force in any other country prohibiting me from performing duties or activities that are in whole or in part encompassed by the company's objects.

I hereby declare that I accept the appointment as the director of the company

.....

I hereby declare that I have been acquainted with the obligation to report to the court any changes of data entered into the court register.

I hereby confirm the completeness and accuracy of my personal data and confirm that I agree that my personal data may be used and processed in the remote formation procedure."

Place and date: _____

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Full name, domicile and personal identification number of the member of the management board:

Signature:

PROVISIONAL TRANSLATION

ANNEX 6 (OG 114/22)

Form of the Company Agreement of a Private limited and Accompanying Decisions and Statements Used during Remote Establishment of That Company

1. _____;
2. _____;
3. _____;

(Note: Fill in for a natural person their full name, domicile and personal identification number, and for a legal person corporate name, seat, registration number and personal identification number. Information on at least two founders – company members shall be entered in the electronic communication template.)

as founders and members of the company, we hereby declare that we form a private limited company and conclude this

MEMORANDUM OF ASSOCIATION OF A PRIVATE LIMITED COMPANY

Article 1

(1) Corporate name is: _____

(2) Abbreviated corporate name is: _____

(Note: The electronic platform may provide that the founder, if desired, give an explanation of the selected corporate name).

Article 2

The seat of the company is in _____.

Article 3

(1) The share capital of the company amounts to EUR (in words: EUR).

(2) The founders of the company undertake shares in the company and thus undertake to pay for the shares in the following manner:

1. acquires one share of the par value of EUR (in words: EUR).

2. acquires one share of the par value of EUR (in words: EUR).

3. acquires one share of the par value of EUR (in words: EUR).

(3) Acquired shares are subject to the payment of least one quarter of the par value of the share in money prior to the company's registration in the court register.

(Note: The minimum amount of the share capital shall be EUR 2500.00, and the lowest par value of the acquired share shall be EUR 10.00; each higher amount of the share capital and higher par value of the acquired share shall be a multiple of 10. The amount of the share capital shall correspond to the sum of the par value of all shares.)

Article 4

(1) The management board comprises one member. Such member shall represent the company by acting solely and subject to no restrictions.

(2) The member of the management board is appointed by a decision of company members.

OR (if the management board has more than one member)

Article 4

(1) The management board has _____ member / _____ members.

(2) Members of the company appoint by way of a decision members of the management board and one of them as the chairperson of the management board.

(3) Members of the management board jointly undertake the activities of managing the company's operations. / Each member of the management board is authorised to independently undertake the activities of managing the company's operations.

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(4) Members of the management board represent the company: each of them by acting solely and subject to no restrictions / two members together / a member of the management board together with an authorised signatory / jointly.

(Note: The electronic platform enables the founder to select between the option when the management board has only one member and the option when the management board consists of more than one member. In the latter case, the founders, when filling in the form, selecting between the options offered, determine the manner of the management of the company's operations and the manner of representing the company.)

Article 5

The company is formed for an indefinite/definite period of time of _____ years.

(Note: The founder shall select one of the offered options. If they select that the company is formed for a definite period of time, the duration of the company shall be determined in full years)

Article 6

The company shall bear formation costs up to the amount of EUR 250.00 (in words: two hundred fifty euro).

Place: _____. The memorandum of association was concluded on the day when the court register system recorded that the last of the founders confirmed the acceptance of the memorandum of association.

Full name, domicile and personal identification number of each of the founders:

Signature:

DECISION ESTABLISHING THE COMPANY'S OBJECTS, APPOINTING THE MEMBER OF THE MANAGEMENT BOARD AND ESTABLISHING THE BUSINESS ADDRESS

Point 1

The company's objects include the following:

1.
2.
3.

Item 2

The appointed member/members of the management board is/are:

.....,

and the appointed chairperson of the management board (if the management board has more than one member) is

.....

Point 3

The address of the company at its seat is:

Item 4

Proposal of the company's principal object for the classification of the business entity for the purposes of the Croatian Bureau of Statistics is:

Place and date: _____

Full name, domicile and personal identification number of each of the founders:

Signature:

DECLARATION OF THE MEMBER OF THE MANAGEMENT BOARD

The member of the management board declares as follows:

"I hereby declare that no circumstances preventing my appointment as the company's director such as those referred to in Article 239, paragraph 2, in connection with Article 394, paragraph 5, item 6, of the Companies Act exist. I have not been convicted of the criminal offence of money laundering, terrorist financing, breach of trust in commercial

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transactions, fraud in commercial transactions, causing bankruptcy, preferential treatment of a creditor, or violation of the obligation to keep books and records, referred to in the Criminal Code of the Republic of Croatia, or the previously stipulated criminal offences of bankruptcy abuse and abuse of bankruptcy proceedings, nor of a criminal offence under the law of another country essentially corresponding to the aforementioned criminal offences referred to in the Criminal Code of the Republic of Croatia. I am not the subject of any international restrictive measure in force in the Republic of Croatia regarding the disposal of assets, nor of a safety measure prohibiting the performance of duties or activities that are in whole or in part encompassed by the company's objects, nor is there any measure in force in any other country prohibiting me from performing duties or activities that are in whole or in part encompassed by the company's objects.

I hereby declare that I accept the appointment as the director of the company

I hereby declare that I have been acquainted with the obligation to report to the court any changes of data entered into the court register.

I hereby confirm the completeness and accuracy of my personal data and confirm that I agree that my personal data may be used and processed in the remote formation procedure."

Place and date: _____

Full name, domicile and personal identification number of the member of the management board:

Signature:

ANNEX 7 (OG 136/24)

Balanced representation of women and men in the
supervisory board or among the members of the board of directors
who are at the same time not executive directors

Number of appointed and elected members of the supervisory board or such members of the board of directors who are not at same time executive directors	Number of women and men through which a balanced representation of both genders is achieved
1	-
2	-
3	1 (33,3 %)
4	1 (25 %)
5	2 (40 %)
6	2 (33,3 %)
7	3 (42,9 %)
8	3 (37,5 %)
9	4 (44,4 %)
10	4 (40 %)
11	4 (36,4 %)
12	5 (41,7 %)
13	5 (38,4 %)
14	6 (42,9 %)

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15	6 (40 %)
16	6 (37,5 %)
17	7 (41,2 %)
18	7 (38,9 %)
19	8 (42,1 %)
20	8 (40 %)
21	8 (38,1 %)

ANNEX 8 (OG 136/24)

Balanced representation of women and men on the
management board and supervisory board or among
the members of the board of directors and executive directors

Total number of members of the management board and the supervisory board, or the total number of members of the board of directors and executive directors	Number of women and men through which a balanced representation of both genders is achieved
1	-
2	-
3	1 (33,3 %)
4	1 (25 %)
5	2 (40 %)
6	2 (33,3 %)
7	2 (28,6 %)
8	3 (37,5 %)
9	3 (33,3 %)
10	3 (30 %)
11	4 (36,4 %)
12	4 (33,3 %)
13	4 (30,8 %)
14	5 (35,7 %)
15	5 (33,3 %)
16	5 (31,3 %)
17	6 (35,3 %)
18	6 (33,3 %)

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19	6 (31,3 %)
20	7 (35 %)
21	7 (33,3 %)
22	7 (31,8 %)
23	8 (34,8 %)
24	8 (33,3 %)
25	8 (32 %)
26	9 (34,6 %)
27	9 (33,3 %)
28	9 (32,1 %)
29	10 (34,5 %)
30	10 (33,3 %)“.