COMPANIES ACT (ZGD-1)

PART I

COMMON PROVISIONS

Chapter One

GENERAL

Article 1
(Contents)

This Act shall lay down the basic corporate status rules for the establishment and operation of commercial companies and sole proprietors (hereinafter: Sole Proprietors), related parties, the subsidiaries of foreign companies and the transformation of their legal form.

Article 2
(Transposition of Directives and Implementation of Regulations of the European Community)


Article 3
(Definitions)

(1) For the purposes of this Act, a company shall be a legal person that independently pursues a gainful activity as its sole activity.

(2) For the purposes of this Act, gainful activity shall be any profit-oriented market activity.

(3) The company (hereinafter: Company) referred to in paragraph (1) of this Article shall take one of the following legal forms:
   - partnership: unlimited company, limited partnership or sleeping partnership; or
   - company limited by shares: limited liability company, public limited company, partnership limited by shares or European public limited-liability company.

(4) The companies referred to in the preceding paragraph shall be considered as companies provided they carry out, in full or in part, a non-profit activity.

(5) A company or economic interest grouping may be established by any natural or legal person unless otherwise provided by the law.

(6) For the purposes of this Act, a company owner shall be a legal person who independently carries out gainful activity on the market within a regulated company.

(7) Entry in the register under this Act shall have legal effect against third parties only after individual data has been published in accordance with the act governing the register of companies.

(8) Other terms used in this Act shall have the following meanings:
- “auditor” shall mean an auditing company or an independent auditor licensed to perform an audit;
- “Securities Market Agency” (hereinafter: ATVP) shall mean the Securities Market Agency under the act governing the financial instruments market;
- “regulated market” shall mean the organised market under the act governing the financial instruments market;
- “Slovenian Audit Institute” shall mean the Slovenian Audit Institute under the act governing audits;
- “Member State” shall mean a Member State of the European Community or of the European Economic Area;
- “registration authority” shall mean the authority that administers the register containing information on companies;
- “court” shall mean the court having territorial jurisdiction with regard to the registered office of a company or entrepreneur unless otherwise provided by this Act.

Article 4
(Legal personality)

(1) All companies other than sleeping partnerships shall be legal persons.
(2) As legal persons, companies may own movable and immovable property, may acquire rights, assume obligations, and may sue and be sued.

Article 5
(Acquisition of legal personality)

(1) Companies shall obtain legal personality upon entry into the court register of companies.
(2) Prior to legal registration, the relationships between company members (hereinafter: Company Members) shall be subject to partnership agreement rules.
(3) If a person acts on behalf of a company prior to the legal registration of the company, such person shall assume liability for the obligations of the company with all its assets. Where there are several such persons, they shall assume joint and several liability.
(4) Where the Company Members acquire any rights by acting on behalf of the company prior to its legal registration, they shall transfer such rights to the company following its legal registration, unless the company is opposed to the takeover.

Article 6
(Activities)

(1) A company may perform all kinds of activities, except those which they are prohibited from carrying out as commercial transactions.
(2) The law may determine that certain commercial transactions may be carried out by companies determined by the law, certain types of companies or other organisations.
(3) A company may perform commercial transactions only within the scope of its activities, as determined by its articles or memorandum of association.
(4) Notwithstanding the preceding paragraph, a company may also carry out other transactions necessary for its existence and the performance of its activities, but which do not imply a direct performance of activities.
(5) Legal transactions entered into by a company with third parties, which are beyond the scope of the company’s activity laid down by its articles or memorandum of association or permitted transactions shall be valid unless a third party was aware or should have been aware of this fact. The indication of activities in articles or memorandum of association shall not mean that a third party was aware or should have been aware of this fact.
(6) The company may commence its activities when it is duly registered.
(7) If another act lays down specific conditions for taking up this activity (hereinafter: Specific Conditions) in addition to the condition referred to in the preceding paragraph, the company may commence this activity when it complies with all the conditions stipulated by this other act. If another act determines that the company may commence its activities after a duly authorised relevant state authority or organisation has issued a decision establishing that the company meets all the conditions required to perform this activity, the company may commence this activity after the relevant authority has issued such a decision.

Article 7
(Responsibility for liabilities)

(1) A company owner and a company shall assume responsibility for their liabilities with all their assets. A company owner and a company shall be equally liable in respect of liabilities arising from the operations of a sleeping partnership under their control.

(2) The law shall determine when and how the members shall share liability with the company.

Article 8
(Disregard of legal personality)

(1) Notwithstanding the preceding article, Company Members shall also assume responsibility for the liabilities of the company in the following cases:
   - if they have abused the company as a legal person in order to attain an objective that is forbidden to them as individuals;
   - if they have abused the company as a legal person, thereby causing damage to their creditors;
   - if, in violation of the law, they have used the assets of the company as a legal person as their own personal assets;
   - if for their own benefit, or for the benefit of some other person, they have reduced the assets of the company, where they knew or should have known that the company would not be capable of meeting its liabilities to third persons.

(2) The provisions laid down in the preceding paragraph shall also apply mutatis mutandis to the liability of a sleeping partner.

(3) In the event of a dispute, the courts shall decide on the liability of the partners under paragraph (1) of this Article as a matter of priority.

Article 9
(Application of the provisions of this part of the Act)

(1) The provisions of this part of the Act shall apply to all companies unless certain issues are otherwise governed by other parts of this Act.

(2) This Act shall only apply to persons who are jointly engaged in agricultural or forestry activities provided that they are registered, at their request, in the Business Register of Slovenia as companies or company owners.

Article 10
(The management)

The management shall comprise bodies or persons who are authorised to manage the company's operations under this Act or the company's internal regulations. In an unlimited company, the management shall be considered to include Company Members and, on transfer of management entitlement, third parties; in a limited partnership the general partners and, on transfer of management entitlement, third parties; in a public limited company the management board or the board of directors; and in a limited liability company one or more Managers.
Article 11
(Publication of data and reports of the company, the use of language)

(1) Where the law provides for the publication of individual data or communications by the company, they shall be published in Uradni list Republike Slovenije (the Official Gazette of the Republic of Slovenia) unless otherwise provided by the law. If the memorandum of association determines that a company is obliged to publish individual data or communications, the company shall publish them in Uradni list Republike Slovenije or in a daily newspaper circulated throughout Slovenia, or as determined by the law. This data and communications shall also be published in the company's internal newsletter or electronic medium, if any exist (hereinafter: Internal Newsletter or Electronic Medium of the Company).

(2) The management shall ensure that communication with employees regarding issuing instructions for their work, procedures deciding on their rights, and employee participation in management is carried out in the Slovenian language, and, in the areas inhabited by the Italian and Hungarian minorities, also in the Italian and Hungarian languages respectively.

(3) A company's internal rules and regulations shall be written in the Slovenian language in the following circumstances:
- if this is obligatory under the law or the company's memorandum of association;
- if they are intended for Company Members or are important for the implementation of their rights and duties;
- if they are intended for persons employed by the company; or
- if they are addressed to the citizens of the Republic of Slovenia in connection with the affairs of the company.

(4) In areas inhabited by Italian and the Hungarian national minorities, the Italian or the Hungarian language may also be used in the documents referred to in the preceding paragraph.

(5) The provisions of paragraphs (3) and (4) of this Article shall not prejudice the regulations on the official language used in communicating with consumers in the Republic of Slovenia.

Chapter Two
CORPORATE NAME

Article 12
(The meaning of corporate name)

(1) The corporate name is the name under which a company operates.
(2) The corporate name shall include a designation indicating the company's activity.

Article 13
(Additional components)

The corporate name may have additional components that define the company more accurately; however, they should not be misleading as regards the type or volume of work undertaken or cause confusion with the corporate name or distinctive mark of another person, or infringe the rights of other persons.

Article 14
(Names of foreign countries)

The corporate name shall not include the names or symbols of foreign countries or international organisations.

Article 15
(Use of the word "Slovenia" and designations of the country and self-governing local communities)
(1) The word "Slovenia" or its derivatives and abbreviations, and the flag and the coat-of-arms of the Republic of Slovenia may be incorporated in the name of a company only with the authorisation of the Government of the Republic of Slovenia (hereinafter: Government).

(2) The authorisation of the Government or a competent authority of a self-governing local community shall also be required in order to ensure that the corporate name includes words denoting the state or the self-governing local community (e.g. state, republic, municipality).

**Article 16**
(Names and surnames of persons)

Names and surnames or pseudonyms of a historical or other prominent person may be incorporated into the corporate name only with the authorisation of such person and, if the person is no longer alive, only with the authorisation of the person's spouse, parents or relatives up to the third successive generation and parents, if they are still alive, and with the authorisation of the minister (hereinafter: Minister) responsible for public administration.

**Article 17**
(Prohibited components)

The corporate name shall not include words or signs which—
- are contrary to the law or public morality;
- include trademarks and service marks of other beneficiaries; or
- include or imitate official marks.

**Article 18**
(Cancellation of a component of the corporate name)

On the proposal of the authorities or persons referred to in Articles 15 and 16 of this Act, the registration authority shall delete a component of the corporate name from the register if the company's operations have damaged the reputation of the country, self-governing local community or person specified in Article 16 of this Act.

**Article 19**
(Use of the corporate name)

(1) A company shall use its corporate name in its day-to-day operations in the same form in which it is registered.

(2) A company may also use an abbreviated company name which comprises at least the component through which the company is distinguished from other companies and the designation of its legal form.

(3) The abbreviated company name shall be entered in the register.

**Article 20**
(Language of the corporate name)

(1) The corporate name shall be written in the Slovenian language.

(2) A corporate name translated into a foreign language may only be used in conjunction with the corporate name in the Slovenian language.

3) Notwithstanding paragraph (1) of this Article, the corporate name may include words in a foreign language in the following circumstances:
- where they correspond to the corporate names or personal names of Company Members which are an integral part of the corporate name;
- where they correspond to registered trade or service marks;
- where they form part of unusual names which do not include foreign characters; or
- where they belong to an extinct language.
Article 21
(Principle of exclusivity)

(1) A company's corporate name shall be clearly distinguished from the name of any other company.
(2) If a member of an unlimited company or a general partner of a limited partnership, whose surname forms a part of the corporate name, has the same surname as that included in a previously registered name of another unlimited company or of a limited partnership, the corporate name should include a component through which his company would be clearly distinguished from previously registered corporate names.
(3) Associated companies may use shared components in their names.

Article 22
(Intended company name)

(1) Any person may request the registration authority enter a corporate name in the register without establishing a company at the same time (intended company name).
(2) The intended company name shall conform to the provisions of this Chapter.
(3) The registration authority shall strike the intended company name from the register, ex officio, if the applicant fails to register the incorporation of a new company with such corporate name within one year of the registration of the intended company name.

Article 23
(Protection of the corporate name)

(1) The registration authority shall reject the proposal to enter a corporate name in the register if such proposal is contrary to the provisions of this Chapter or if it clearly varies from the corporate names already registered in the Republic of Slovenia.
(2) A company which considers that the name of another company is not sufficiently different from a previously registered corporate name shall be entitled to file a suit requesting a discontinuation of the use of the corporate name, its deletion from the register and compensation. The suit may be filed not later than within three years of the registration of the name of another company or registration of the intended company name.
(3) The suit referred to in the preceding paragraph may also be filed by a company whose corporate name is affected by the incorrect use of another company's corporate name.
(4) The provisions of this Article shall not interfere with competition protection regulations and other corporate name protection regulations.

Article 24
(Transfer of corporate name)

The corporate name may be transferred together with the company.

Article 25
(Termination of partnership)

(1) If a partner whose name or surname forms part of the company name ceases to be a partner in a company, the company may continue to operate under the current name only with the partner's express consent.
(2) If the partner dies, his heirs may request that his name or surname be deleted from the corporate name within three months of the date on which the letters of administration become final.
(3) In the cases referred to in the preceding paragraphs, the termination of partnership should be evident from the corporate name.
Article 26
(Cancellation of the name or surname of a former partner)

On the proposal of the partner or his heir, as specified in the preceding Article, the registration authority shall delete the partner's name or surname as a component of the corporate name from the register in cases where the partner's reputation has been damaged by the company's operations.

Article 27
(Corporate name of a company)

(1) The corporate name of an unlimited company shall include the surname of at least one partner, together with an indication that there are several partners, and followed by the designation "d.n.o".

(2) The corporate name of a limited partnership shall include the surname of at least one general partner and shall be followed by the designation "k.d". The corporate name shall not include the names of any limited partners.

(3) A silent partnership shall operate under the corporate name of its managing partner. The corporate name of the managing partner of a silent partnership may be used as an additional element which reveals that the company cooperates with a silent partner (partnership).

(4) The corporate name of a limited liability company shall include an additional component specified by Article 13 of this Act and the designation "d.o.o.".

(5) The corporate name of a public limited company shall include an additional component, as specified by Article 13 of this Act, and the designation "d.d.".

(6) The corporate name of a partnership limited by shares shall include the designation "k.d.d.".

Article 28
(Corporate name of a company whose partner is another company)

If a member of an unlimited company or a general partner of a limited partnership is a company, the corporate name of that company shall be included in the corporate name referred to in paragraphs (1) and (2) of the preceding Article as the name of a member of such companies.

Chapter Three
REGISTERED OFFICE

Article 29
(Definition)

The registered office of a company shall be the place entered in the register as its registered office.

30. Article 30
(Designation of the registered office)

A company's registered office may be the place where the company either wholly or partially carries out its business or the place where its management is located.

Article 31
(Branches)

(1) A company may have branches that are located separately from the company's registered office. Branches shall be legally registered.
(2) Branches shall not be legal persons but may perform all transactions which would otherwise be performed by the company.

Chapter Four

REPRESENTATION

Article 32
(Representation of the company)

(1) A company shall be represented by persons designated by law or its memorandum of association, in accordance with the law (legal representative).
(2) A legal representative may perform all legal acts which fall within the legal capacity of the company. Statutory or other restrictions shall have no legal effect on third parties.

Article 33
(Power of procuration)

(1) A company may grant the power of procuration to one or more persons in accordance with the procedure laid down by the memorandum of association.
(2) A company may also appoint one or more procuration holders (hereinafter: Procuration Holder) for a branch of the company only; however, this shall be expressly indicated in the register and on the Procuration Holder’s signing the documents; if not expressly indicated, the procuration shall be deemed to relate to the company as a whole.

Article 34
(Joint power of procuration)

(1) The power of procuration may be granted to two or more persons at the same time so that they can jointly represent the company.
(2) Third parties may validly state their will to only one of the joint Procuration Holders.
(3) The memorandum of association may determine that the Procuration Holder represent the company jointly with one or more legal representatives.

Article 35
(Scope of the power of procuration)

(1) The power of procuration is granted for all legal acts falling within a company’s legal capacity, with the exception of the disposal and encumbrance of property, for which the Procuration Holder should be granted a special power of attorney.
(2) A restriction of the power of procuration shall have no legal effect on third parties.

Article 36
(Termination of the power of procuration)

The power of procuration may be revoked at any time.

Article 37
(Transfer of the power of procuration)

The Procuration Holder shall not transfer the power of procuration to another party.

Article 38
(Registration of the power of procuration)
(1) A company shall notify the granting and termination of the power of procuration for registration.

(2) The Procuration Holder's signature shall be submitted to the court. In signing on behalf of the company, the Procuration Holder shall use his signature, accompanied with a note of procuration.

Article 38a

(Elimination of conflicts of interest)

(1) The management, Procuration Holder and the Executive Directors of a public limited company or a limited liability company may enter into a legal transaction with another company in which they or their immediate family members or they together hold an interest that exceeds one tenth of the share capital, or if they or their immediate family members are silent partners in another company or share its profits on any other legal basis, only with the consent of the supervisory board or the board of directors of the company. If the company does not have a supervisory board or a board of directors, the consent shall be granted at the general meeting.

(2) The management, Procuration Holder and Executive Directors of a public limited company or a limited liability company shall notify the supervisory board or the board of directors of any legal transactions entered into with another company in which they or their family members or they together hold an interest, which does not exceed the interest referred to in the preceding paragraph, within three business days of entering into such legal transaction. If a company does not have a supervisory board or board of directors, it shall notify the Company Members thereof at the next general meeting to be held.

(3) A member of the body which decides on the granting of the consent referred to in paragraph (1) of this Article shall not participate in the decision-making process if the member himself or an immediate family member is a member or a silent partner of the company with which the transaction is concluded or participates in the profit of this company on any other legal basis.

(4) The immediate family members referred to in the preceding paragraphs shall be deemed persons defined by paragraph (3) of Article 308a of this Act.

(5) Notwithstanding Article 263 of this Act, the Manager's liability for damages is not excluded despite the transaction being entered into after the approval of the general meeting.

(6) If no consent referred to in paragraph (1) of this Article is granted, the legal transaction shall be deemed null and void.

(7) The memorandum of association can lay down stricter restrictions on the conclusion of the legal transactions referred to in paragraph (1) of this Article.

Chapter Five

TRADE SECRET AND NON-COMPETE OBLIGATION

Article 39

(The meaning of trade secret)

(1) A trade secret shall be considered to include information designated as such by a company's written decision. This decision shall be notified to the Company Members, employees, members of the company's governing bodies and other persons bound to keep the trade secret.
Regardless of whether it is so provided by the decisions referred to in the preceding paragraph, a trade secret shall also include information for which it is clear that its disclosure to an unauthorised person could result in considerable damage. Company members, employees and the members of a company's governing bodies and other persons shall be responsible for the disclosure of trade secret if they are aware or should be aware of such information.

(3) Information which is in the public domain in accordance with the law or the information regarding the violation of the law or good business practices shall not be considered trade secret.

Article 40
(Keeping the trade secret)

(1) A company shall lay down the method of keeping the trade secret and the responsibility of persons bound to keep the trade secret.

(2) The duty to keep the company's trade secret shall also apply to persons outside the company if they are aware or if, due to the nature of the information, they should be aware of the fact that such information represents the company's trade secret.

(3) Any action by which persons outside the company attempt to acquire information which is considered to be a company's trade secret contrary to the law shall be forbidden.

Article 41
(Non-compete obligation)

(1) Members of an unlimited company, general partners of a limited partnership, Company Members and managers (hereinafter: Managers) of a limited liability company, members of the management board, the board of directors and the supervisory board of a public limited company may not assume any of these roles and may not be employed by any other company or own companies whose activities are or could be in direct competition with those of the first-mentioned company.

(2) A company's memorandum of association may also lay down the restrictions specified in paragraph (1) for the limited partners (hereinafter: Limited Partners) of a limited partnership and the shareholders (hereinafter: Shareholders) of a public limited company and members of an economic interest grouping.

(3) A company's memorandum of association may also determine the conditions under which the persons specified in paragraph (1) of this Article may participate in a competing company.

(4) The memorandum of association may determine that a non-compete obligation remains in force even after the termination of the status of legal persons referred to in paragraph (1) of this Article. The non-compete obligation shall not apply for longer than two years, with the exception of the cases specified in paragraph (2) of Article 268 and paragraph (3) of Article 515 of this Act, in which it shall not remain in force for longer than six months.

(5) The provisions of this Article shall not prejudice the non-compete obligation that applies to employees.

Article 42
(Violation of a non-compete obligation)

(1) If a person violates a non-compete obligation, the company may request damages.

(2) The company may also request the violator cede to it his own account transactions as well as transactions concluded for the account of the company or to transfer to the company the benefits derived from his own account transactions or to assign to the company his right to compensation.

(3) The company's claims specified in the preceding paragraphs shall fall under statute of limitation within three months of the date on which the company becomes aware of the
violation and the violator; however, this must not be later than within five years of the violation date.

Chapter Six

REGISTER

Article 43
(Subject of registration)

The subject of registration shall be the company data provided by the law.

Article 44
(Register)

(1) The register shall be kept by the court.
(2) The registration procedure shall be regulated by a special law.

Article 45
(Notification of registration data)

(1) In addition to a company's full corporate name and registered office, the name of the registration authority with which the company is registered and the registration number shall appear on all notices sent by the company to an addressee. Limited liability companies shall also include the amount of their share capital and the amount of unpaid called up share capital.
(2) Purchase orders shall be considered as notices from the preceding paragraph.

Article 46
(Persons entitled to submit an application)

An application for the registration of the company shall be submitted by a person who has the power of representation under the law or the company's internal rules unless otherwise provided by this Act.

Article 47
(Application for the first registration)

(1) An application for the first registration shall include the company's corporate name, activity, registered office and other information determined by the law.
(2) The application shall be accompanied by the original or a certified copy of the memorandum of association and deed of appointment of the management unless this has already been determined by the memorandum of association.
(3) The application shall be submitted within 15 days of the date of fulfilment of the conditions for registration.

Article 48
(Notification of changes for registration)

(1) For the purpose of registration, any change of data specified in paragraph (1) of the preceding Article shall be notified and accompanied by the rules on which such changes are based; moreover, the commencement of liquidation proceedings including the names of liquidators and the dissolution of the company shall be notified.
(2) Notification of changes for registration purposes shall be subject to the application, mutatis mutandis, of the provision of paragraph (3) of the preceding Article.
Article 50

(Matters decided by the court in non-litigious proceedings)

In non-litigious civil procedures, the court shall decide on the following:
- the withdrawal of the entitlement to conduct business or to represent Company Members (Articles 90 and 99);
- the granting of permission to a company member to take over the company without liquidation proceedings (paragraph (1) of Article 116);
- the appointment or discharge of liquidators (paragraph (2) of Articles 119 and 120 and Article 408);
- the designation of a company member or a third party to administer the books of accounts (paragraph (2) of Article 132);
- the delivery of a copy of an annual report to a Limited Partner or to a silent partner (paragraph (2) of Article 140 and Article 162);
- the appointment of a formation auditor, special auditor, extraordinary auditor, auditor, pre-acquisition auditor and division auditor (Article 194, paragraph (2) of Article 318, paragraph (1) of Article 322, paragraph (2) of Articles 360, 386, 583 and 682);
- the differences between founders and formation auditors (paragraph (2) of Article 196);
- the extension of the time limit for holding the founding general meeting (paragraph (3) of Article 214);
- the publication of an announcement calling upon share subscribers to collect their payments (paragraph (3) of Article 215);
- the market value of shares traded on a regulated market (paragraph (6) of Article 237);
- the authorisation to cancel shares (paragraph (2) of Article 244);
- the appointment and discharge of members of management and supervisory bodies (Article 256 and paragraph (2) of Article 276);
- the authorisation to convene a general meeting or publish the subject on which the general meeting should decide (paragraph (4) of Article 295);
- the right of a Shareholder, company member or interested party to be informed (Articles 306 and 513 and paragraph (2) of Article 637);
- appropriate compensation to minority or withdrawing Shareholders (paragraph (2) of Article 388 and paragraph (3) of Article 556);
- the amount to be paid to the liquidator (paragraph (1) of Article 423);
- the compensation and remuneration of external Shareholders (paragraph (4) of Article 552 and paragraph (5) of Article 553);
- the appointment of a special or joint representative (paragraph (2) of Article 595 and paragraph (1) of Article 608);
- the proposal for a court test of the exchange ratio (paragraph (1) of Article 605);
- matters relating to the European public limited-liability company, defined by Articles 8, 25, 26, 55 and 64 of Regulation 2157/2001/EC;
- matters relating to the cross-border merger of companies (Section 4 of Chapter Two of Part VI of this Act); and
- other matters for which this Act determines that they should be decided by a court in non-litigious proceedings.

Article 51

(Jurisdiction of the court)
The district court shall have the jurisdiction to decide on the matters referred to in the preceding Article.

**Article 52**
*(Special procedural provisions)*

(1) The decision on the matters referred to in Article 50 of this Act shall be subject to the provisions of the act governing non-litigious proceedings unless otherwise provided by paragraph (2) of this Act.

(2) The court shall decide on the proposal of matters referred to in the fifth, sixth, eighth and fourteenth indent of Article 50 of this Act within five days of receipt of the proposal. An appeal against the decision of the court on these matters shall be allowed within three days of the service of the decision. An appeal shall not stay the execution.

(3) If the proposal is justified, the costs incurred by the proponent shall be borne by the company, unless otherwise provided by this Act.

**Chapter Eight**

**BOOKS OF ACCOUNT AND ANNUAL REPORT**

**Section 1**

**GENERAL PROVISIONS**

**Article 53**
*(Application of provisions and definitions)*

(1) The provisions of this chapter shall fully apply to the following:

1. companies limited by shares;
2. partnerships in which no individual assumes unlimited liability for such partnerships.

(2) The provisions of this Chapter, with the exception of Article 57 of this Act, shall apply to owners of companies that meet the criteria for classification as medium-sized and large companies.

(3) Partnerships other than those referred to in paragraph (1) of this Article and company owners whose companies satisfy the criteria for small companies shall be governed only by the provisions of Articles 54, 58–60 and 65–67 of this Act. In the application of the above-mentioned provisions, they shall adapt equity breakdown and items to their own conditions and may take into consideration all the simplifications that are applicable to small companies.

(4) The terms used in this Chapter shall have the following meaning:

- a company member shall mean a member of a partnership or a limited liability company or a Shareholder;
- a holding shall mean an interest in a limited liability company or a share in a public limited company;
- articles of association shall mean the articles and memorandum of association of a limited liability company or the certificate of incorporation of a limited liability company, when such company is established by a single person, or the articles of association of a public limited company;
- the balance sheet cut-off date shall be the date on which the balance sheet is compiled;
- the annual balance sheet cut-off date shall be the last day of the financial year;
- the Slovenian Accounting Standards shall mean the accounting standards adopted by the Slovenian Institute of Auditors, in accordance with this Act; and

**Article 54**
(General accounting rules)

(1) Companies and company owners shall administer books of account and prepare year-end accounts in accordance with this Act and the Slovenian Accounting Standards or International Financial Reporting Standards, unless otherwise provided by the law. The financial year may not coincide with the calendar year. After the closure of accounts for each financial year, an annual report shall be drawn up within three months of the end of each financial year.

(2) The three-month period referred to in the preceding paragraph shall also apply to the preparation of the annual report referred to in Article 60 of this Act. The consolidated annual report referred to in Article 56 of this Act shall be prepared within four months after the end of each financial year.

(3) Books of account shall be kept in accordance with the double-entry bookkeeping system unless otherwise provided by the law. In keeping their books, all companies shall use the chart of accounts for the general ledger adopted by the Slovenian Institute of Auditors in agreement with the ministers responsible for the economy and finance. Upon receipt of the approval, the Slovenian Institute of Auditors shall publish the chart of accounts in Uradni list Republike Slovenije. The chart of accounts shall define the account categories from 0 to 9 and from 00 to 99.

(4) At least once a year the balance of assets and liabilities in the books of account shall be checked against their actual balance.

(5) If liquidation or bankruptcy proceedings are initiated against a company or company owner, a balance sheet and a profit and loss account shall be drawn up as at the last day prior to the commencement of the proceedings.

(6) The books of account, the balance sheet, the profit and loss account, the annual report and the business reports referred to in Articles 56 and 60 and paragraph (1) of Article 70 of this Act shall be stored permanently. Accounting documents may be stored for a specified period only.

(7) More detailed rules on accounting shall be defined by the Slovenian Accounting Standards, which are adopted by the Slovenian Institute of Auditors in agreement with the ministers responsible for the economy and finance. Before granting such approval, the ministers responsible for the economy and finance shall publicly invite those interested to express their opinions on the matter. Upon receipt of the approval, the Slovenian Institute of Auditors shall publish the accounting rules in Uradni list Republike Slovenije. The Slovenian Accounting Standards shall set out the following:
   1. the content and structure of the cash flow statement and statement of changes in equity;
   2. the rules on the valuation of accounting items; and
   3. rules relating to the content of individual items in the financial statements and the notes to these items in the annex to the financial statements.

(8) The Slovenian Accounting Standards shall not be contrary to this Act and other acts governing the rules on accounting for individual legal entities and the regulations issued on their basis.


(10) Companies whose securities are listed on a regulated market in European Community Member States and which are subject to consolidation under Article 56 of this Act shall prepare the consolidated financial statements specified in paragraph (7) of Article 56 of this Act in accordance with the International Financial Reporting Standards.

(11) In addition to the companies referred to in the preceding paragraph, the financial reports specified in paragraph (1) of Article 60 of this Act, in accordance with International Financial Reporting Standards, shall also be prepared by the following:
   1. banks;
   2. insurance companies; and
3. other companies if the general meeting so decides; however, for a period of at least five years.

Article 55
(Micro, small, medium-sized and large companies)

(1) For the purposes of the application of this Act, companies shall be classified as micro, small, medium-sized and large on the annual balance sheet cut-off date, in accordance with the following criteria:
- its average number employees in the financial year;
- its net proceeds from sales; and
- the value of its assets.
(2) A company that satisfies any two of the following criteria shall be deemed a micro company:
- it has less than an average of 10 employees in a financial year;
- it has an annual turnover of less than EUR 2,000,000; and
- the value of its assets is less than EUR 2,000,000.
(3) A small company shall be a company other than a micro company, as defined in the preceding paragraph, and shall meet any two of the following criteria:
- it has less than an average of 50 employees in a financial year;
- it has an annual turnover of less than EUR 8,800,000; and
- the value of its assets is less than EUR 4,400,000.
(4) A medium-sized company shall be a company other than a micro company, as referred to in paragraph (2) of this Article, or a small company, as referred to in the preceding paragraph, and shall meet two of the following criteria:
- it has less than an average of 250 employees in a financial year;
- it has an annual turnover of less than EUR 35,000,000; and
- the value of its assets is less than EUR 17,500,000.
(5) A large company shall be a company which is neither a micro company, in accordance with paragraph (2) of this Article, nor a small company, in accordance with paragraph (3) of this Article, nor a medium-sized company, in accordance with the preceding paragraph.
(6) Under the criteria referred to in the preceding paragraphs, companies shall be classified as micro, small, medium-sized and large on the basis of data for two consecutive financial years at the annual balance sheet cut-off date.
(7) The provisions of this Act and other regulations relating to small companies shall also apply to micro companies unless otherwise regulated by this act and other rules.
(8) For the purposes of this Chapter, large companies shall at all times be deemed to include the following:
- banks;
- insurance companies;
- stock exchanges;
- companies obliged to prepare a consolidated annual report in accordance with Article 56 of this Act.

Article 56
(Consolidated annual report)

(1) A company established in the Republic of Slovenia which is the parent company of one or more companies having their registered offices in or outside the Republic of Slovenia (subsidiary companies) shall prepare a consolidated annual report if either the parent company or one of the subsidiary companies is organised as a company with share capital, a double partnership or an equivalent legal form, in accordance with the law of the country in which the company has its registered office.
(2) A company shall be the parent company of another company if one of the following conditions is fulfilled:
1. it has the majority of the voting rights in the other company;
2. it has the right to appoint or discharge the majority of members of the management or the supervisory board and is, at the same time, a member of the other company;
3. it has the right to exercise control over the other company on the basis of an enterprise contract or on other legal grounds; or
4. it is a member of the other company and, on the basis of an agreement with other members of this company, it controls a majority of the voting rights in this company.

(3) In the application of points 1, 2 and 4 of the preceding paragraph of this Article, the voting rights or the appointment and discharge rights held by a company which is controlled by its parent company and any such rights of persons acting on behalf of the parent company shall be added to the voting or appointment and discharge rights held by the parent company. The rights arising from the possession of shares for the account of a person other than a parent company or its subsidiary and the rights arising from shares obtained as a guarantee, if exercised in accordance with the instructions received or obtained through granting of loans as part of ordinary business activities, shall not be included in the rights from the preceding sentence if the voting rights are exercised in the interest of a person who issued such guarantee.

(4) In the application of points 1 and 4 of paragraph (2) of this Act, voting rights arising from interests held by a company, its subsidiary or a person acting on its own behalf and for the account of such companies, shall be deducted from the total voting rights in the subsidiary.

(5) A parent company which, together with its subsidiaries, does not meet the conditions for classification as a medium-sized company in accordance with paragraph (4) of Article 55 of this Act, the criteria of net sales income and the value of assets being increased by 20%, shall not be obliged to produce a consolidated annual report. This shall not apply if the securities of the parent company or any of its subsidiaries are traded on a regulated market.

(6) The consolidated annual report shall provide a true and fair representation of the financial position, profit or loss, cash flows and changes in equity of all companies included in the consolidation as a whole. For each company included in the consolidation, the conditions of paragraph (2) of this Act, on the basis of which an individual company is included in the consolidation, shall be indicated in the notes to the consolidated financial statements.

(7) A consolidated annual report shall comprise a consolidated financial report and a consolidated business report of the group of companies included in the consolidation. A consolidated accounting report shall consist of a consolidated balance sheet, a consolidated statement of profit and loss, a consolidated cash flow statement, a consolidated statement of changes in equity and notes to the consolidated statements. These elements of the consolidated financial report shall constitute its whole. The provisions of this Act on annual reports shall apply, mutatis mutandis, to the form and contents of a consolidated annual report and to the obligation to prepare, publish and adopt a consolidated annual report.

(8) A subsidiary company need not be included in the consolidation if this is not necessary to ensure a true and fair presentation under paragraph (6) of this Article. In its notes to consolidated statements, a company shall indicate the subsidiaries that have not been included in the consolidation for the reasons provided in the preceding paragraph and explain the reasons for such decision. If more than one company meets the requirement referred to in the first sentence of this paragraph, all companies shall be included in the consolidation if they are all relevant to providing a true and fair presentation under paragraph (6) of this Article.

(9) The Slovenian Accounting Standards shall lay down the following:
1. more detailed criteria for defining subsidiary companies in accordance with paragraph (2) of this Article;
2. cases in which the parent company referred to in paragraph (1) of this Article, which is subordinated to another parent company established in the Republic of Slovenia, is not obliged to prepare a consolidated annual report;
3. other cases in which the parent company referred to in paragraph (1) of this Article is not obliged to prepare a consolidated annual report or is not obliged to include individual subsidiary companies in the consolidation.

4. the method and scope of the consolidation and the content of the consolidated annual report, with the exception of the companies referred to in paragraphs (10) and (11) of Article 54 of this Act.

**Article 57**

(Audit)

(1) The annual reports of large and medium-sized companies and the annual reports of small companies whose securities are traded on a regulated market shall be examined by an auditor in accordance with the method and under the terms and conditions laid down by the law governing audits. An auditor shall also audit the financial report and examine the business report to an extent sufficient to ascertain whether its content is in conformity with the other elements of the annual report. In the review of the company's corporate governance statement, the auditor shall restrict himself to points 3 and 4 of paragraph (5) of Article 70 of this Act. All this shall also apply to consolidated annual reports.

(2) The auditor's report shall contain the following:
- introduction providing the audited financial report as well as the accounting framework used in the drawing up of the report;
- description of purpose and scope of auditing with an indication of auditing standards used in carrying out the audit;
- an auditor's opinion, which shall clearly indicate whether the financial report provides a true and fair view of the financial position in accordance with an appropriate framework of financial reporting and, where necessary, whether the financial report complies with the regulations; an audit opinion may be unqualified, qualified or adverse. An auditor may issue a disclaimer of opinion where the auditor is unable to express an opinion on the financial statements;
- the emphasis of matter paragraph in which the auditor specifically underlines or refers to any matter which the auditor deems necessary, without expressing a qualified opinion;
- an opinion on the consistency or inconsistency of the business report with the accounting report for the same financial year; and
- date of the report and auditor's signature.

(3) The auditor shall be liable to the company and to its Shareholders for any damage resulting from a violation of the auditing rules laid down by the act governing audits. The auditor shall be liable for the damage referred to in the previous sentence up to an amount of EUR 150,000 for small companies, up to an amount of EUR 500,000 for medium-sized companies and up to an amount of EUR 1,000,000 for large companies. The limit on the liability for damage referred to in the preceding sentence shall not apply if the damage was caused intentionally or through gross negligence.

(4) If the auditor issues a disclaimer of opinion in accordance with the act governing audits, the obligation from paragraph (1) of this Article shall be considered not to have been fulfilled.

(5) The audit of the annual report referred to in paragraph (1) of this Article shall be performed within six months of the end of the financial year. The management shall submit the audited annual report or the audited consolidated annual report to the body of the company authorised to adopt the annual report, including the auditor's report, no later than within eight days of receipt of the auditor's report.

(6) The auditor shall cooperate with the audit committee and notify it of any major issues relating to the audit of the annual report, particularly major internal control deficiencies in the financial reporting process.

**Article 58**

(Publication)

(1) The annual reports referred to in paragraph (1) of the preceding Article of this Act shall be submitted, together with the auditor's opinion, to the Agency of the Republic of Slovenia.
for Public and Legal Records and Services (hereinafter: AJPES) for the purpose of publication within eight months of the end of the financial year. In accordance with the preceding sentence, the companies referred to in paragraph (1) of Article 53 of this Act shall also submit a proposal for allocation of profits or treatment of loss where this is not indicated in the annual report.

(2) The annual report of small companies whose securities are not traded on a regulated market and the annual report of company owners shall be submitted to the AJPES for the purpose of publication within three months of the end of the financial year. In accordance with the preceding sentence, the companies referred to in paragraph (1) of Article 53 of this Act shall also submit a proposal for allocation of profits or treatment of loss where this is not indicated in the annual report. Company owners who are subject to tax on the basis of the established profit by taking into consideration the normalised costs under the provisions of the act governing income tax which relate to the taxation of income derived from business activities shall not be obliged to submit their annual reports for the purpose of publication. The Tax Administration of the Republic of Slovenia shall send the list of entrepreneurs referred to in the preceding sentence to the AJPES.

(3) The AJPES shall publish annual reports and consolidated annual reports, together with the auditor's report, submitted in accordance with paragraph (1) of this Article, or annual reports submitted in accordance with the preceding paragraph of this Article by capturing them in computerised form and publishing them on websites intended for the publication of annual reports. In accordance with the preceding sentence, a proposal for allocation of profits or treatment of loss shall be published at the same time for the companies referred to in paragraph (1) of Article 53 of this Act where this is not indicated in the annual report. The websites referred to in the preceding sentence of this paragraph shall be designed so that the data published on these websites can be accessed by anyone free of charge.

(4) (no longer applies)

(5) (no longer applies)

(6) The AJPES shall deliver to anyone upon request a copy of the annual report or the consolidated annual report, together with the auditor's report, submitted in accordance with paragraph (1) of this Article, or a copy of the annual report submitted in accordance with the paragraph (2) of this Article against payment of the fee determined by the AJPES's rates. The AJPES shall deliver the copies referred to in the preceding sentence to the extent (in full or in parts) and in the (electronic or written) form stated in the request. A copy in written form shall bear the indication "true copy", while a copy in electronic form shall be subject to the provisions of the act governing electronic commerce and electronic signatures.

(7) On every publication of a full annual report or consolidated annual report, the report shall be published in the form and with the text which served as the basis for auditing. At the same time, the full text of the auditor's opinion, including a justification of a qualified opinion or a disclaimer of opinion, shall also be published. If the statements or the report have not been examined by an auditor, this should be indicated in the publication.

(8) On each publication of a summary annual report or consolidated annual report, it should be indicated that it is a summary annual report. The published summary shall include the date on which the annual report or the consolidated annual report was submitted pursuant to paragraphs (1) or (2) of this Article and the date and method of publication pursuant to paragraph (3) of this Article. If these reports have not yet been submitted in accordance with paragraphs (1) or (2) of this Article, this shall be indicated in the publication. The publication of the summary shall not include the full text of the auditor's report but shall only disclose the auditor's opinion and emphasis of matter paragraph, if any. However, the summary published may include an auditor's report on the summary.

(9) If the auditor issues a disclaimer of opinion under the act governing audits, this shall be explicitly indicated on the publication, pursuant to paragraphs (7) and (8) of this Article.

(10) For the purpose of publication in accordance with paragraph (3) of this Article, companies and company owners shall pay the AJPES the fee specified in the AJPES's rates at the same time as submitting the reports referred to in paragraph (1) or (2) of this Article.
(11) The rates for fees referred to in paragraphs (6) and (10) of this Article shall be adopted by the AJPES in agreement with the ministers responsible for the economy and for justice. The fees shall not exceed the actual costs of capturing the reports in computerised form and maintaining a website intended for the publication of annual reports, or the costs relating to the preparation of copies of reports.

(12) In accordance with the AJPES's prior opinion, the ministers responsible for the economy and for justice shall lay down detailed rules on the following:
1. the method of submitting reports under paragraph (1) or (2) of this Article;
2. the method of publication in accordance with paragraph (3) of this Article and the website design referred to in paragraph (3) of this Article;
3. (no longer applies).

Article 59
(Transmission of data from annual reports)

(1) Companies and company owners, save entrepreneurs which are subject to tax on the basis of the determined profit by taking into consideration normalised costs in accordance with the provisions of the act governing income tax relating to the tax on income from business activities, shall send the AJPES the data from annual reports on their property and financial operations and on the profit or loss for the purpose of national statistics and other recording, analysis, information, research and tax purposes.

(2) The companies and company owners referred to in paragraph (2) of the preceding Article, whose financial year coincides with the calendar year, may fulfil the obligation from paragraph (2) of the preceding Article by indicating, upon submission of the data in accordance with the preceding paragraph, that the data from annual reports shall also be used for publication.

(3) The AJPES may use the data from annual reports on property and financial positions and the profit or loss of companies and company owners solely for the purpose of preparing consolidated information on economic trends. The data on individual companies and company owners may not be disclosed to other persons or published.

(4) The AJPES shall automatically submit data forming part of a tax return in accordance with the act governing the tax procedure to the Tax Administration of the Republic of Slovenia within the deadline and in accordance with the method prescribed by the minister responsible for finance. It shall be deemed that the companies and the entrepreneurs submit a part of the tax return.

(5) Notwithstanding the third paragraph of this Article, the AJPES shall forward the data from annual reports on property and financial operations and the profit or loss of companies and company owners in an appropriate electronic form to state authorities and legal persons who are legally authorised to collect and use these data for recording, analysis, information, research and tax purposes. These data shall be forwarded to state authorities, the Bank of Slovenia and members of the Economic and Social Council free of charge, and to legal persons against payment of the actual costs of data processing or forwarding.

Section 2
GENERAL RULES ON THE PREPARATION OF ANNUAL REPORTS

Article 60
(Annual report)

(1) The annual report of companies referred to in paragraph (1) of Article 57 of this Act shall comprise the following:
- the balance sheet;
- the statement of profit and loss;
- the cash flow statement;
- the statement of changes in equity;
- notes to the financial statements; and
- the business report referred to in Article 70 of this Act.

The financial statements from indents one to four of this paragraph and notes to financial statements shall constitute the financial report.

(2) The annual report of small companies whose securities are not traded on a regulated market shall comprise at least the following:
- the balance sheet;
- the statement of profit and loss; and
- notes to the financial statements.

(3) The annual report of the companies and company owners referred to in paragraph (3) of Article 53 of this Act shall comprise the following:
- the balance sheet; and
- the statement of profit and loss.

(4) The balance sheet shall show assets and liabilities at the end of the financial year.

(5) The statement of profit and loss shall show income, expenses and profit/loss realised in the financial year.

(6) The statement of changes in equity shall show the changes in individual equity components in the financial year, including the use of net profit and the offset of losses.

(7) The cash flow statement shall show changes in income and expenses, or cash inflows and outflows, in the financial year and shall explain changes in the balance of cash.

(8) The auditor's report, the proposal for the application of distributable profit and the report on relations with the parent company shall be attached to the annual report, if any, but shall not form part of it.

Article 60a
(Obligation to provide for the preparation and publication of annual reports)

(1) The company's management and control bodies shall jointly ensure that annual reports with all their component parts, including the corporate governance statement, are drawn up and published in accordance with this Act, the Slovenian Accounting Standards or International Financial Reporting Standards. In this respect, they shall act within the scope of their powers, with due care and responsibility as provided for individual forms of companies by this Act.

(2) The annual report and its components shall be signed by all members of the company's management.

Article 61
(The general rule)

(1) The annual report shall be drawn up in a clear and transparent manner. It shall provide a true and fair presentation of the assets and liabilities of the company, its financial position and profit or loss.

(2) If the application of the provisions of Articles 62 to 70 of this Act and of the Slovenian Accounting Standards or International Financial Reporting Standards is not sufficient for a true and fair presentation under the preceding paragraph of this Article, appropriate explanations shall be provided in the notes to the financial statements.

(3) If due to the application of the individual provisions of Articles 62 to 70 of this Act it is, in exceptional cases, impossible to comply with the obligation referred to in paragraph (1) of this Article, such provisions shall not be applied if a true and fair presentation, as referred to in paragraph (1) of this Article, can be achieved without their application. In this case, the reasons for not applying the particular provision shall be explained in the notes to the financial statements and the effect of the application of that provision on the presentation of assets and liabilities of a company, its financial position and the profit or loss shall be accounted for.

Article 62
(General rules on financial statement items)
(1) Individual asset items of financial statements may not be set off against individual liability items, or individual income items against individual expense items.

(2) The same itemised breakdown method shall be used in balance sheets and statements of profit and loss for consecutive financial years and may be changed only exceptionally. In such cases, it should be included in the notes to the financial statements and the reasons for changes in the method of itemisation shall be provided.

(3) The balance sheet and the statement of profit and loss items referred to in Articles 65 and 66 of this Act shall be shown separately and in the same order as determined by the above-mentioned provisions of this Act. A further breakdown of individual items provided by Articles 65 and 66 of this Act shall be permitted. New items may only be added if they do not overlap in terms of their contents with the items referred to in Articles 65 and 66 of this Act.

(4) The method of categorisation, nomenclature and naming of items, which are shown in the balance sheet and in the statement of profit and loss denoted in Arabic numerals, may be adapted to the particular characteristics of a company’s activity. The Slovenian Accounting Standards or the Internal Financial Reporting Standards shall lay down special rules for the adaptation referred to in the preceding sentence for companies which carry out activities in individual economic sectors, particularly for banks and insurance companies.

(5) The balance sheet or statement of profit and loss items expressed in Arabic numerals may be combined in the following circumstances:

1. if the value of the individual items being combined is not relevant to a true and fair presentation in accordance with paragraph (1) of the previous Article; or

2. if enhanced transparency is achieved by combining the items; in this case the combined items must be shown separately in the notes to the financial statements.

(6) For each balance sheet and statement of profit and loss item the value of that item shall also be shown for the previous year. If these values cannot be compared, the value of items for the previous year shall be adjusted accordingly. The incomparability of items and their adjustment shall be shown in the notes to the financial statements and appropriately explained.

(7) Zero value items need not be shown in the balance sheet or the statement of profit and loss except where necessary for reasons of comparison with the value of such items in the previous year.

Section 3

THE BALANCE SHEET

Article 63

(Group companies and associated companies)

(1) Group companies shall mean companies to be included in the consolidated annual report pursuant to Article 56 of this Act.

(2) An associated company shall be a company in which another company has a considerable holding but is not a subsidiary of that other company.

Article 64

(Reserves)

(1) The following amounts shall be shown as capital surplus (liabilities, item A.II.):

1. amounts obtained by a company from payments exceeding the minimum Issue Prices of shares or equity contributions (capital surplus);

2. amounts obtained by a company by issuing convertible bonds or bonds with a share purchase option above the nominal value of the bonds;

3. amounts additionally paid in by Company Members for the purpose of acquiring additional rights arising from their holdings;
4. amounts of other payments by Company Members under the provisions of the articles of association (e.g. subsequent payments by Company Members);
5. amounts based on a simplified reduction of share capital or a reduction of share capital through the withdrawal of holdings;
6. amounts arising from general capital revaluation adjustments.

(2) Revenue reserves (liabilities – item A.III) may only be created from the net profit for the financial year and the retained profit brought forward. Revenue reserves shall be divided as follows:
1. legal reserves (paragraph (3) of this Article; liabilities item A.III.1.);
2. reserves for own shares (paragraph (5) of this Article; liabilities item A.III.2.);
3. own shares (as deductible item A.III.3);
4. statutory reserves (paragraph (7) of this Article; liabilities item A.III.4.);
5. other profit reserves (paragraph (9) of this Article; liabilities item A.III.5.).

(3) A company shall create legal reserves in such amount that the sum total of legal reserves and capital surplus referred to in points 1 to 3 of paragraph (1) of this Article equals 10% or a higher percentage of the share capital determined by the articles of association.

(4) If the combined amount of legal reserves and capital surplus referred to in points 1 to 3 of paragraph (1) of this Article is less than the proportion of share capital referred to in the preceding paragraph, and the company shows net profit for the financial year, the company shall allocate 5% of the net profit, less the amount used to cover any loss brought forward, to the legal reserves until the amount of legal reserves and capital surplus from points 1 to 3 of paragraph (1) of this Article equals the proportion referred to in the preceding paragraph.

(5) If the company acquires own shares during the financial year, it shall create own share reserves in its balance sheet for that financial year in the amount of the sums paid to acquire own shares. Notwithstanding the first sentence of paragraph (2) of this Article, reserves for own shares may also be created from the following:
1. statutory reserves if the articles of association provide that they may be used for this purpose;
2. the amount of other revenue reserves exceeding any loss brought forward that could not be covered by eventual net profits for the financial year.

(6) Own share reserves shall be reversed and may only be reversed if own shares are disposed of or withdrawn.

(7) Articles of association may provide that a company shall also have statutory reserves in addition to legal reserves. In this case, articles of association shall also determine the following:
1. the amount of statutory reserves either in absolute amount or as a proportion of the share or the total equity capital;
2. the share of the net profit, less any amounts used to cover the loss brought forward, and the creation of legal reserves and revenue reserves earmarked for the creation of statutory reserves in a particular financial year;
3. the purposes for which statutory reserves may be used.

(8) Statutory reserves may be used only for the purposes set out in the articles of association.

(9) Other revenue reserves may be used for any purpose other than that referred to in paragraph (5) of this Article or where otherwise provided by articles of association.

(10) Capital surplus and statutory reserves (tied-up reserves) may only be used under the following conditions:
1. if the total amount of these reserves is below the percentage of the share capital determined by the law or the articles of association, they may only be used to—
   - cover a net loss for the financial year if it cannot be covered by the retained net profit brought forward or other revenue reserves;
   - cover the loss brought forward if it cannot be covered by the net profit for the financial year or other revenue reserves;
2. if the total amount of these reserves exceeds the percentage of the share capital determined by the law or articles of association, the surplus amount of these reserves may be used to—
  - increase the share capital by the company's assets;
  - cover the net loss for the financial year if it cannot be covered by the retained net profit brought forward, provided that revenue reserves are not simultaneously used in the distribution of profit to Company Members; or
  - cover the net loss brought forward if it cannot be covered by the net profit for the financial year, provided that revenue reserves are not simultaneously used in the distribution of profit to Company Members.

(11) Net profit for a particular financial year may only be used for the following purposes:
  1. to cover a retained loss;
  2. to create legal reserves under paragraph (4) of this Article;
  3. to create own share reserves under paragraph (5) of this Article;
  4. to create statutory reserves in the case from paragraph (7) of this Article; and
  5. the creation of other revenue reserves in the cases referred to in paragraphs (3) and (4) of Article 230 of this Act shall be taken into account in the balance sheet for that financial year.

(12) In the capital surplus item, the following shall be shown separately in the balance sheet or in the notes to the financial statements:
  1. the amount added during the financial year;
  2. the amount written off during the financial year.

(13) In the revenue reserves, the following shall be shown separately in the balance sheet or in the notes to the financial statements:
  1. amounts allocated to reserves from the distributable profit for the previous financial year in accordance with the general meeting's resolution on the appropriation of distributable profit for the previous financial year;
  2. amounts allocated to reserves from the net profit for the financial year;
  3. the amount by which the reserves were reduced resulting from their use during the financial year.

(14) When a company draws up a statement of changes in equity, the data specified in paragraphs (12) and (13) of this Article shall be shown in the statement of changes in equity instead of in the balance sheet or notes to the financial statements.

Article 65
(Balance sheet structure)

(1) Companies shall structure their balance sheets as follows:

ASSETS
A. Non-current assets
   I. Intangible fixed assets and long-term prepaid expenses and deferred charges
      1. Concessions, patents, licences, trademarks, and similar rights and assets
      2. Goodwill
      3. Advances for intangible fixed assets
      4. Deferred R & D costs
      5. Other long-term prepaid expenses and deferred charges
   II. Tangible fixed assets
      1. Land and buildings
         a) Land
         b) Buildings
      2. Manufacturing plant and equipment
      3. Other plant and equipment
      4. Tangible fixed assets
         being acquired
a) Tangible fixed assets in course of
construction
b) Advances for tangible
fixed assets

III. Investment property

IV. Long-term investments
1. Long-term investments except loans
   a) Shares and interests in Group companies
   b) Shares and interests in associates
   c) Other shares and interests
   c) Other long-term investments
2. Long-term loans
   a) Long-term loans to Group companies
   b) Long-term loans to others
   c) Long-term called-up capital unpaid

V. Long-term operating receivables
1. Long-term receivables due from
   Group companies
2. Long-term trade receivables
3. Long-term receivables due from others

VI. Deferred tax receivables

B. Current assets
I. Available-for-sale assets (assets in disposal group)
II. Inventories
   1. Materials
   2. Work in progress
   3. Products and merchandise
   4. Advances for inventories
III. Short-term investments
1. Long-term investments except loans
   a) Shares and interests in Group companies
   b) Other shares and interests
   c) Other long-term investments
2. Short-term loans
   a) Short-term loans to Group companies
   b) Short-term loans to others
   c) Short-term called-up
   capital unpaid

IV. Short-term operating receivables
1. Short-term receivables due from
   Group companies
2. Short-term trade receivables
3. Short-term receivables due from others

V. Cash assets
C. Short-term prepaid expenses and deferred charges

TOTAL ASSETS

A. Equity
I. Called-up capital
   1. Share capital
   2. Uncalled capital (as deductible item)
II. Capital reserves
III. Revenue reserves
1. Legal reserves
2. Reserves for own shares and interests
3. Own shares and interests (as deductible items)
4. Statutory reserves
5. Other reserves
IV. Revaluation surplus
V. Retained net profit or loss
VI. Net profit or loss for the period
B. Provisions and long-term accrued expenses and deferred income
   1. Provisions for pensions and similar liabilities
   2. Other provisions
   3. Long-term accrued expenses and deferred income
C. Long-term liabilities
   I. Long-term financial liabilities
      1. Long-term financial liabilities to Group companies
      2. Long-term financial liabilities to banks
      3. Long-term financial liabilities from bonds
      4. Other long-term financial liabilities
   II. Long-term operating liabilities
      1. Long-term operating liabilities to Group companies
      2. Long-term trade payables
      3. Long-term bills payable
      4. Long-term operating liabilities from advances
      5. Other long-term operating liabilities
   III. Deferred tax liabilities
Č. Short-term liabilities
   I. Liabilities included in disposal groups
   II. Short-term financial liabilities
      1. Short-term financial liabilities to Group companies
      2. Short-term financial liabilities to banks
      3. Short-term financial liabilities from bonds
      4. Other short-term financial liabilities
   III. Short-term operating liabilities
      1. Short-term operating liabilities to Group companies
      2. Short-term trade payables
      3. Short-term bills payable
      4. Short-term operating liabilities from advances
      5. Other short-term operating liabilities
D. Short-term accrued expenses and deferred income
TOTAL LIABILITIES
(2) Medium-sized companies shall prepare the balance sheet referred to in the preceding paragraph. For publication purposes, it shall suffice that the balance sheet has at least the following items:

**ASSETS**

A. Non-current assets
   I. Intangible fixed assets and long-term prepaid expenses and deferred charges
      1. Intangible fixed assets
      2. Long-term prepaid expenses and deferred charges
   II. Tangible fixed assets
      1. Land and buildings
         a) Land
         b) Buildings
      2. Manufacturing plant and equipment
      3. Other plant and equipment
      4. b) Advances for tangible fixed assets and tangible fixed assets in course of construction
   III. Investment property
   IV. Long-term investments
      1. Long-term investments except loans
         a) Shares and interests in Group companies
         b) Other long-term investments
      2. Long-term loans
         a) Long-term loans to Group companies
         b) Other long-term loans
   V. Long-term operating receivables
      1. Long-term receivables due from Group companies
      2. Long-term receivables due from others
   VI. Deferred tax receivables

B. Current assets
   I. Available-for-sale assets (assets in disposal group)
   II. Inventories
   III. Short-term investments
      1. Long-term investments except loans
         a) Shares and interests in Group companies
         b) Other long-term investments
      2. Short-term loans
         a) Short-term loans to Group companies
         b) Other short-term loans
   IV. Short-term operating receivables
      1. Short-term receivables due from Group companies
      2. Short-term receivables due from others
   V. Cash assets

C. Short-term prepaid expenses and deferred charges

**TOTAL ASSETS**

**LIABILITIES**

A. Equity
   I. Called-up capital
      1. Share capital
      2. Uncalled capital (as deductible item)
II. Capital reserves  
III. Revenue reserves  
   1. Legal reserves  
   2. Reserves for own shares and interests  
   3. Own shares and interests (as deductible items)  
   4. Statutory reserves  
   5. Other reserves  
IV. Revaluation surplus  
V. Retained net profit or loss  
VI. Net profit or loss for the period  

B. Provisions and long-term accrued expenses and deferred income  
   1. Provisions  
   2. Long-term accrued expenses and deferred income  

C. Long-term liabilities  
   I. Long-term financial liabilities  
      1. Long-term financial liabilities to Group companies  
      2. Long-term financial liabilities to banks  
      3. Other long-term financial liabilities  
   II. Long-term operating liabilities  
      1. Long-term operating liabilities to Group companies  
      2. Long-term trade payables  
      3. Other long-term operating liabilities  
   III. Deferred tax liabilities  

Č. Short-term liabilities  
   I. Liabilities included in disposal groups  
   II. Short-term financial liabilities  
      1. Short-term financial liabilities to Group companies  
      2. Short-term financial liabilities to banks  
      3. Other short-term financial liabilities  
   III. Short-term operating liabilities  
      1. Short-term operating liabilities to Group companies  
      2. Short-term trade payables  
      3. Other short-term operating liabilities  

D. Short-term accrued expenses and deferred income  

(3) Small companies shall prepare and publish their balance sheets comprising at least the following items:  

ASSETS  
A. Non-current assets  
   I. Intangible fixed assets and long-term prepaid expenses and deferred charges  
      1. Intangible fixed assets  
      2. Long-term prepaid expenses and deferred charges  
   II. Tangible fixed assets  
   III. Investment property
IV. Long-term investments
   1. Long-term investments except loans
   2. Long-term loans
V. Long-term operating receivables
VI. Deferred tax receivables

B. Current assets
   I. Available-for-sale assets (assets in disposal group)
   II. Inventories
   III. Short-term investments
      1. Long-term investments except loans
      2. Short-term loans
IV. Short-term operating receivables
V. Cash assets
C. Short-term prepaid expenses and deferred charges
   TOTAL ASSETS

A. Equity
   I. Called-up capital
      1. Share capital
      2. Uncalled capital (as deductible item)
   II. Capital reserves
   III. Revenue reserves
   IV. Revaluation surplus
   V. Retained net profit or loss
   VI. Net profit or loss for the period
B. Provisions and long-term accrued expenses and deferred income
   1. Provisions
   2. Long-term accrued expenses and deferred income
C. Long-term liabilities
   I. Long-term financial liabilities
   II. Long-term operating liabilities
   III. Deferred tax liabilities
Č. Short-term liabilities
   I. Liabilities included in disposal groups
   II. Short-term financial liabilities
   III. Short-term operating liabilities
D. Short-term accrued expenses and deferred income
   LIABILITIES

(4) Items referring to group companies shall disclose all the relationships of the group companies and other items shall disclose all relationships with the exception of those referring to group companies.

(5) Liabilities for guarantees and other securities not shown as liabilities in the balance sheet shall be recorded on the balance sheet as off-balance contingent liabilities. These contingent liabilities shall be broken down by type of guarantee, by indicating any collateral. Liabilities for guarantees and other securities towards group companies shall be shown separately.

(6) If an asset or liability is covered by more than one item, this shall be explained, as necessary, either in the item under which it is shown or in the notes to the financial statements for the purpose of the clarity and transparency of the annual report. Own shares and shares in group companies may only be shown in items envisaged for their disclosure
(1) Companies may structure their income statement in accordance with paragraph (2) or (3) of this Article.
1. Net sales revenues
2. Change in inventories of finished goods and work in progress
3. Capitalised own products and/or services
4. Other operating income
5. Cost of goods, materials and services
   a) Cost of goods and materials sold and cost of materials used
   b) Cost of services
6. Labour costs
   a) Costs of wages and salaries
   b) Social security costs (costs of pension insurance shown separately)
   c) Other labour costs
7. Amortisation/Depreciation expenses
   a) Depreciation
   b) Operating expenses from revaluation of tangible and intangible fixed assets
   c) Operating expenses from revaluation of operating current assets
8. Other operating expenses
9. Financial revenues from shares
   a) Financial revenues from interests in Group companies
   b) Financial revenues from interests in associates
   c) Financial revenues from interests in other companies
   c) Financial revenues from other investments
10. Financial revenues from loans
    a) Financial revenues from loans to Group companies
    b) Financial revenues from loans to others
11. Financial revenues from operating receivables
    a) Financial revenues from operating receivables from Group companies
    b) Financial revenues from operating receivables from others
12. Financial expenses for impairments and investment write-offs
13. Financial expenses for financial liabilities
    a) Financial expenses for loans from Group companies
    b) Financial expenses for loans obtained from banks
    c) Financial expenses for issued bonds
    c) Financial expenses for other financial liabilities
14. Financial expenses for operating liabilities
    a) Financial expenses for operating liabilities to Group companies
    b) Financial expenses for trade payables and bills payable
    c) Financial expenses for other operating liabilities
15. Other income
16. Other expenses
17. Tax on profit
18. Deferred taxes
19. Net profit or loss for the period \( (1 \pm 2 + 3 + 4 - 5 - 6 - 7 - 8 + 9 + 10 + 11 - 12 - 13 - 14 + 15 - 16 - 17 \pm 18) \)
1. Net sales revenues
2. Production costs of goods sold (including amortisation and depreciation expense) or cost of goods sold
3. Gross profit or loss from sales (1 – 2)
4. Selling costs (including depreciation and amortization)
5. General and administrative expenses (including depreciation and amortization)
   a) General and administrative expenses
   b) Operating expenses from revaluation of tangible and intangible fixed assets
   c) Operating expenses from revaluation of operating current assets
6. Other operating income (including operating income from revaluation)

Items 7 to 17 are broken down as items 9 to 19, in accordance with the preceding paragraph.

(4) Medium-sized companies may combine items 1 to 5 from paragraph (2) of this Article and items 1 to 3 and item 6 under the preceding paragraph of this Article into a single item "gross profit or loss".

(5) In paragraph (2) of this Article, the following disclosures shall be made after item 19:
20. Retained profit/loss brought forward
21. Reduction (release) of capital reserves
22. Reduction (release) of revenue reserves by type of reserves
23. Reduction (additional creation) of revenue reserves, separately by type of reserve
24. Distributable profit/loss (as the sum of the net profit/loss and the corresponding items 20, 22 and 23).

In paragraph (3) of this Article, the items specified in the preceding sentence shall be shown as Items 18 to 22.

(6) The data referred to in the preceding paragraph of this Article may be shown in the notes to the financial statements instead of in the income statement.

(7) When a company prepares a statement of changes in equity, the data referred to in paragraph (5) of this Article shall be shown in the statement of changes in equity instead of in the income statement or notes to the financial statements.

Section 5

VALUATION OF ITEMS IN THE FINANCIAL STATEMENTS

Article 67
(General valuation rules)

(1) The following general rules shall apply to the valuation of items in the financial statements:
1. the company is presumed to operate as a going concern;
2. the use of valuation methods may not change without good reason from one financial year to the next (consistency of valuation);
3. the principle of prudence shall be applied in the manner determined by the Slovenian Accounting Standards or the International Financial Reporting Standards;
4. the fair value principle shall be applied in the manner determined by the Slovenian Accounting Standards or the International Financial Reporting Standards;
5. revenues and expenses shall be taken into account irrespective of when they were paid or received;
6. assets and liabilities components shall be valued individually;
7. the opening balance sheet for the financial year shall match the closing balance sheet for the preceding financial year.

(2) A derogation from the general rules referred to in paragraph (1) of this Article may be allowed only in exceptional cases determined by the Slovenian Accounting Standards or the International Financial Reporting Standards. In this case, the reasons for derogation from the general rules and the effects of such derogation on the presentation of the company’s assets
and liabilities, its financial position and results shall be provided in the notes to the financial statements.

Section 6

ANNUAL REPORT AND VALUATION RULES IN THE CASE OF MERGERS AND DIVISIONS

Article 68

(Final report of acquired or transferring companies; valuation after a merger or division)

(1) An acquired or transferring company shall draw up a final report as at the merger or division date. The provisions of Articles 53 to 57, 60 to 67 and 69 of this Act shall apply, mutatis mutandis, to the preparation of the final report. The merger or division date (the final report cut-off date) may be not more than nine months prior to the submission of the proposal for entry of the merger or division in the register.

(2) Assets and liabilities which are transferred to the acquiring company by merger or division shall be valued in accordance with the Slovenian Accounting Standards or the International Financial Reporting Standards.

Section 7

NOTES TO THE FINANCIAL STATEMENTS

Article 69

(Contents of the notes to the financial statements)

(1) In addition to the data and explanations which must be included in the notes to the financial statements in accordance with the provisions of the other articles of this chapter and in accordance with the Slovenian Accounting Standards and International Financial Reporting Standards, the notes to the financial statements shall also include the following:

1. the methods used in the valuation of individual items in the financial statements and the methods used to calculate amortisation/depreciation expenses. For items originally expressed in a foreign currency, the exchange rate and method used to convert them into the domestic currency shall also be indicated;

2. the following data for each company in which the company has at least a 20% participation in equity, either directly or through a person acting on behalf of the company:
   - its corporate name and registered office;
   - the amount of its equity participation; and
   - the amount of its equity and of its profit or loss for the financial year. This information need not be disclosed if it is not important for a true and fair presentation under paragraph (1) of Article 61 of this Act. For companies which do not publish their annual reports and in which the company has a less than 50% direct or indirect equity participation, the amount of their equity and profit and loss need not be disclosed;

3. if the company is a member of another company and is personally liable without limitation for the debts of this company: the corporate name, the registered office and the legal form of such other company. This information need not be disclosed if it is not important for a true and fair presentation under paragraph (1) of Article 61 of this Act.

4. if the company has authorised capital or has conditionally increased its share capital: the amount of authorised capital and the lowest Issue Price of shares issued during the financial year for authorised capital or on the basis of the conditional increase in the share capital;

5. if the company holds or has held own shares during the year:
   - the number, amount and proportion of own interests in the share capital which the company or a third party acquired or disposed of on behalf of the company during the
financial year, the date of their acquisition, the purpose of acquisition or disposal of own
shares and the cash value of cross charges;
- the number, amount and value of own interests in the share capital received in pledge by
the company or a third party on behalf of the company during the financial year;
- the total number, the total amount and the total value of own interests in the share capital
held by the company or by a third party on behalf of the company or held in pledge by the
company or by a third party on behalf of the company as at the balance sheet cut-off date;
6. if the company issued more than one class of shares: the number shares in each class
and their minimum Issue Price;
7. If the company has issued dividend bonds, convertible bonds, bonds with pre-emptive
right to purchase shares or other securities giving the holder the right to participate in the
company's profits or the right to buy or to convert each of these types of securities into the
company's shares: their number and the rights arising from them;
8. a breakdown and clarification of the amounts of the provisions shown under the "other
provisions" item if the amount of such provisions is significant;
9. the amount of all liabilities maturing after five years, separately for each liabilities item
specified in paragraphs (1), (2), (3) or (5) of Article 65 of this Act;
10. the amount of total liabilities backed by a collateral (liens and similar rights), with data
on the form and method of collateralisation, separately for each liabilities item specified in
paragraphs (1), (2), (3) or (5) of Article 65 of this Act;
11. The total amount of financial liabilities not disclosed in the balance sheet if this data is
important for assessing the financial position of the company. Liabilities for payment of
pensions and liabilities to the group companies shall be shown separately;
12. the type and objective of the company's operations that are not shown on the
company's balance sheet and their impact on the company, if the risks and benefits of such
operations are significant and the disclosure of such risks or benefits is necessary for the
assessment of the company's financial position;
13. transactions initiated by the company with related parties, including the amounts of
such transactions, the nature of relationship with related parties and other transaction data
which are necessary for understanding the company's financial position, if these transactions
are significant and are not carried out under normal market conditions. The company may
disclose the information on individual transactions in cumulative figures depending on their
type, except when separate data is required for the purpose of understanding the effect of
related party transactions. A related party shall be the party which is defined as such by the
International Financial Reporting Standards. Transactions between the parent company and
the subsidiary may be exempted if the parent is a 100 per cent owner of the subsidiary,
unless the securities of one of the companies are traded on the regulated market;
14. a breakdown of net sales revenues by individual areas of the company's operations or
by individual geographical markets, if, in terms of organisation of the sale of products that are
characteristic of the company's normal course of business or in terms of the provision of
services that are characteristic of the company's normal course of business, individual areas
of the company's operation or individual geographical markets in which the company
operates differ significantly from each other. This information need not be disclosed if such
disclosure could cause significant damage to the company; nevertheless, the notes to the
financial statements shall clarify that the data specified in the first sentence of this point has
not been disclosed for the above-mentioned reasons;
15. the average number of employees in the financial year classified by qualification;
16. if the income statement is prepared in accordance with the provisions of paragraph (3)
of Article 66 of this Act: the amount of the labour costs for the financial year referred to in
point 6 of paragraph (2) of Article 66 of this Act;
17. a breakdown of capital reserves in accordance with paragraph (1) of Article 64 of this
Act;
18. the total amount of income received by the company's management, other employees
working for the company under a contract for which the wage section of the collective
agreement does not apply, and income received by members of the supervisory board, separately for each of these groups of persons;

19. advances and loans granted by the company or its subsidiary to the management, supervisory board members, other employees working for the company under a contract for which the wage section of the collective agreement does not apply, and the guarantees issued by the company for the obligations of such persons, including the above-mentioned information, shown separately for each of these groups of persons:
   - the total amount of advances, outstanding loans or guarantees issued;
   - the rate of interest and other important loan terms and conditions;
   - the total amount of loan repayments in the financial year;

20. the corporate name and registered offices of the controlling company which compiles a consolidated annual report for the broadest circle of group companies and in relation to which the company is a subsidiary, and where the consolidated annual report can be obtained;

21. the corporate name and registered offices of the controlling company which compiles a consolidated annual report for the broadest circle of group companies and in relation to which the company is a subsidiary, and where the consolidated annual report can be obtained; and

22. if the company is subject to auditing pursuant to Article 57 of this Act: the total amount spent on the audit and separately the amount spent on—
   - the audit of the annual report;
   - other services of providing assurance;
   - tax consulting services; and
   - other non-audit services.

(2) A company may choose not to disclose data on other companies pursuant to point 2 or 3 of paragraph (1) of this Article if such disclosure could cause appreciable damage to that company. In the event of such, the notes to the financial statements shall specify that these data were not disclosed for the above-mentioned reasons.

(3) Small companies need not disclose or interpret the data referred to in points 7 to 22 of paragraph (1) of this Article in the notes to the financial statements, and data referred to in points 9 and 10 of paragraph (1) of this Article shall be disclosed in the aggregate amount for all liability items.

(4) Medium-sized companies may disclose only the data on the type and purpose of operations from this point in the notes to the financial statements. Medium-sized companies other than public limited companies need not disclose the data from point 13 of paragraph (1) of this Article in the notes to the financial statements; however, public limited companies shall disclose at least direct or indirect transactions between the company and its major Shareholders and the company and management and supervisory bodies in the notes to the financial statements. Exemption shall not apply to companies whose securities are traded on the regulated market. Medium-sized companies need not disclose the data referred to in point 14 of paragraph (1) of this Article. In the publication of the business report they may also omit the data from points 7, 9 and 10 of paragraph (1) of this Article; however, they shall show the data from points 9 and 10 of this Article in the aggregate amount for all liabilities items.

Section 8

BUSINESS REPORT

Article 70
(Business report)

(1) The business report shall comprise at least a fair presentation of the development and results of the company's operations and its financial position, including a description of the essential risks and uncertainties to which the company is exposed.
(2) A fair presentation shall be a balanced and comprehensive analysis of the development and operating results of the company and its financial position corresponding to the extent and the complexity of its operation. To the extent necessary to understand the development and operating results of the company and its financial position, the analysis shall contain the key accounting, financial and, when necessary, other indicators, ratios and other factors, also including information concerning environmental protection and employees. The analysis shall include appropriate reference to the sums provided in the financial statements and the necessary additional clarifications.

(3) The business report shall also include the following:
- all major accounting events after the end of the financial year;
- the anticipated development of the company;
- the company's research and development activities; and
- the company's branches.

(4) Where important for the assessment of the assets and liabilities of the company, its financial position and operating results, the business report shall also include the objectives and measures for managing financial risks, including hedging measures for all major types of planned transactions, for which the hedging transactions shall be shown separately on the accounts, and the company's exposure to price, credit, liquidity and cash-flow risks.

(5) Companies whose securities are traded on the regulated market shall include the corporate governance statement in their business reports. The statement shall be included as a special section of the business report and shall include at least the following:
1. Reference to—
   - the corporate governance code applicable to the company, by indicating information on the code's accessibility to the public;
   - the corporate governance code which the company decided to use of its own free will, by indicating information on the code's accessibility to the public; and
   - all appropriate governance data that exceed the requirements of this Act by indicating the point of public access to their governance practice;
2. The information on the scope of deviations from corporate governance codes under the first indent of the preceding point. In this case it should be explained which parts of the governance code are not considered and why. If the companies employ no governance code provisions, they should state the grounds for their decision;
3. A description of the principal characteristics of internal control and corporate governance systems in the company in connection with the financial reporting procedure;
4. The data specified in points 3, 4, 6, 8 and 9 of paragraph (6) of this Article;
5. The data on the activities of the company's general meeting and its key responsibilities and a description of the rights of Shareholders and the method of exercise of such rights;
6. The data on the structure and operation of the management and supervisory bodies and their commissions.

A company may publish its corporate governance statement as a separate report together with its annual report. In this case, the business report shall state where the corporate governance statement can be accessed in the company's electronic media. If a separate text is drafted, the corporate Government statement may include reference to the business report which includes the required information from point 4 of this paragraph.

(6) The business report of companies which are obliged to apply the act governing mergers and acquisitions shall also include data as at the last day of the financial year and all necessary explanations on the following:
1. the structure of the company's share capital, including all securities of the company, as provided by the act governing mergers and acquisitions (hereinafter: Securities): securities which have not been admitted to a regulated market, by indicating the following:
   - the rights and obligations arising from shares or shares of individual classes; and
   - if there are several classes of shares, the proportion of share capital in individual classes of shares;
2. all restrictions relating to the transfer of shares, particularly the following:
   - restrictions on security ownership; and
- the need to obtain authorisation from the company or other holders of Securities for the transfer of shares;

3. Significant direct and indirect ownership of the company's Securities in terms of achieving a qualified holding, as determined by the act governing mergers and acquisitions, particularly the following:
   - the full name or corporate name of the holder;
   - the number of Securities and the proportion they account for in the company's share capital; and
   - the nature of ownership.

A person shall be considered indirect holder of Securities if these are held for such person's account by another person or if the person can provide assurance that the rights arising from such shares are exercised in accordance with the person's own free will;

4. each holder of Securities with special controlling rights:
   - the full name or corporate name of the holder; and
   - the nature of rights;

5. The employee share scheme, if any, for shares to which it relates and about the method of exercising control over this scheme, unless control is exercised directly by employees;

6. all restrictions on voting rights, particularly the following:
   - restrictions on voting rights relating to a certain holding or a certain number of votes;
   - deadlines for exercising the voting rights; and
   - agreements in which, with the company's cooperation, the financial rights arising from Securities are separated from the rights arising from security ownership;

7. All agreements among Shareholders known to the company, which could result in a restriction of the transfer of Securities or voting rights;

8. The company's rules on:
   - the appointment or replacement of members of the management or supervisory bodies; and
   - amendments to articles of association;

9. authorisations to the management, particularly authorisations to issue or purchase own shares;

10. all major agreements to which the company is a party and which take effect, are changed or cancelled following a change in control over the company resulting from a bid, as determined by the act governing mergers and acquisitions, and the effects of such agreements. This shall not be necessary if the disclosure of such agreement could cause significant damage to the company, unless the company is obliged to disclose such agreements pursuant to other regulations;

11. All agreements between the company and its management or supervision bodies or its employees, which envisage a compensation if, due to a bid as determined by the act governing mergers and acquisitions, these persons:
   - resign;
   - are dismissed without cause; or
   - their employment is terminated.

PART II

COMPANY OWNER

Article 71

(Application of the provisions of this Act to company owners)

The following provisions of this Act shall apply, mutatis mutandis, to company owners:

- provisions of activities (Article 6);
- provisions on the corporate name (Articles 12 to 23);
- provisions on the registered office (Articles 29 and 30);
- provisions on the subsidiary (Article 31);
- provisions on procuration (Articles 33 to 37) and
Article 72  
(Special provisions on company owners)

(1) The corporate name of a company owner shall contain the full name of the company owner, the abbreviation "s.p." denoting a Sole Proprietor, a designation of the activity and any additional elements.

(2) A company owner may also use an abbreviated corporate name containing at least his full name, surname and the designation "s.p".

(3) If a company owner sells his company or invests in another company, the buyer or the company may continue to use the company owner's full name and surname only with the company owner's express permission.

(4) In the case of the company owner's death, the successor who continues the testator's business may continue to use the testator's full name in the corporate name of his business. With the continuation of the testator's business, company owner's rights and obligations of the entrepreneur associated with the company shall pass to the company owner's successor. The company owner's successor shall enter into all business relationships in connection with the transferred company as a universal legal successor and shall be registered as company owner in accordance with Article 74 of this Act.

(5) The corporate name and registered office of the company owner and its company registration number shall be indicated in all communications sent by a company owner to individual addressees.

(6) Only be the corporate name and the registered office shall be indicated in communications sent as part of the existing business contacts. Purchase orders shall be considered as notices from the preceding paragraph.

(7) The power of procuration shall not be terminated upon the death or loss of legal capacity of the company owner.

(8) A company owner may appoint a representative for the event of his death, who shall be authorised to carry out all legal transaction within the scope of the company owner's regular activities as of the moment of the company owner's death. Such authorisation may be revoked at any time by the company owner's successor. The granting and withdrawal of such authorisation shall be entered in the Business Register of Slovenia.

Article 73  
(Keeping of books of account)

(1) The method of keeping books of account and compiling financial statements for a company owner whose business meets the criteria for classification as a small company shall be regulated by a special Slovenian Accounting Standard.

(2) Notwithstanding paragraph (3) of Article 54 of this Act, a company owner may administer his books of account by using the single-entry book-keeping system in accordance with the special standard referred to in paragraph (1) of this Article, provided that he did no exceed two of the following criteria during the past financial year:

\[ \text{– that the average number of employees is not greater than three,} \]
\[ \text{– that the amount of annual revenues is less than EUR 42,000,} \]
\[ \text{– that the average asset value calculated as one half of the sum of the asset value on the first and on the last day of the financial year does not exceed EUR 25,000. This shall also apply to company owners who commence their activities and do not take on more than three employees, on average, during the first financial year.} \]

(3) Pursuant to the criteria specified in the preceding paragraph, the system of keeping books of account by a company owner shall be determined on the basis of the data from the last annual report.
Notwithstanding the preceding paragraphs, a company owner need not administer books of account or draw up an annual report if he satisfies the conditions regarding the following:

- income from activities; and
- employees classified as persons liable for tax on income from activity who may require that normalised expenses be considered in determining their tax base. This shall also apply to company owners who commence their activities and do not take on any employees during the first financial year.

The method in accordance with which company owners referred to in the preceding paragraph shall conduct their business shall be laid down by the act governing the tax procedure.

### Article 74
(Registration)

(1) A company owner may commence and pursue his activity when he is entered in the Business Register of Slovenia.

(2) The company owner's application for registration in the Business Register of Slovenia shall contain the following:

- the proposed date of entry which cannot be earlier than the date of filing the application for registration and not longer than three months from the date of filing the application;
- the company owner's corporate name and details of the registered office of his company;
- data on the abbreviated corporate name, if any;
- personal data of the company owner: full name, personal registration number, place of residence, tax identification number;
- personal data of the company owner's representative: full name, personal registration number, place of residence, tax identification number;
- an indication of the activity to be pursued by the company owner;
- information on the company owner's other units as business register units pursuant to the act governing the Business Register of Slovenia; and
- the company owner's statement that he has no outstanding matured liabilities from his previous operations.

(3) The AJPES shall have a free direct access to and the possibility to acquire data from the Central Population Register and other public registers and records for the purpose of administering data on company owners in the Business Register of Slovenia.

(4) The method and the procedure for administering the data on company owners in the Business Register of Slovenia shall be prescribed by the minister responsible for the economy.

### Article 75
(Changes in business activity and winding up)

(1) A company owner shall report any change of data referred to in paragraph (2) of the preceding Article of this Act to the AJPES within 15 days of the occurrence of such change. A company owner or a person authorised by a company owner shall report the winding up of operations at least 15 days in advance.

(2) A company owner shall announce his intention to wind up his business in an appropriate manner (by letters to creditors, through the media, through notices posted on the business premises) at least three months in advance and shall, at the same time, indicate the date of the winding up.

(3) The AJPES shall, ex officio, delete the company owner from the Business Register of Slovenia:

1. following the notification by the registration authority that the company owner has been reorganised into a company limited by shares;
2. if a company owner fails to submit to the agency his annual report for two consecutive years for the purpose of publication under paragraphs (1) and (2) of Article 58 of this Act or his annual report data for the purpose from paragraph (1) of Article 59 of this Act;

3. if on the basis of its own data or on the basis of the notification a state authority or a person vested with public authority the AJPES determines that the entry of the company owner's business address in the Business Register of Slovenia is an address—
   – at which the company owner receives no official post or is unknown at this address;
   – which is the site of a structure owned by another person who has not granted the company owner an authorisation to operate at such address; or
   – that does not exist;

4. following notification of the company owner's death provided by a competent authority, unless, within three months of the finality of the deed of distribution, the company owner's heir submits to the competent authority a statement expressing his intention to carry on with the activity of the testator's enterprise pursuant to paragraph (4) of Article 72 of this Act;

5. following notification by a competent court of the commencement of bankruptcy proceedings against the company owner in accordance with the provisions of the act governing bankruptcy;

6. following notification by a competent authority that it has issued a final regulation banning the company owner from performing the activity registered in the Business Register of Slovenia after having established that the company owner failed to meet the conditions for the performance of activities and the company owner performed no other activity;

7. following notification by a competent authority that it has issued a final regulation establishing that the company owner performs no activity registered in the Business Register of Slovenia, and the company owner performs no other activity;

8. following notification by a competent authority that is has issued a final regulation expelling an alien from the country;

9. when following notification by a tax authority or another competent authority the AJPES determines that the company owner made a false statement referred to in the eighth item of paragraph (2) of the preceding paragraph.

(4) The notification from points 1 and 4 to 9 of the preceding paragraph shall be accompanied by a document justifying the deletion from the register.

(5) If the AJPES determines the existence of the reason for deletion referred to in points 2 or 3 of this Article, the AJPES shall issue a decision regarding the existence of such reason and send it to the company owner at his business address recorded in the Business Register of Slovenia. An appeal against this decision may be lodged with the ministry responsible for the economy within eight days.

(6) If the deletion procedure is initiated for the reason specified in point 3 of paragraph (3) of this Article and there is a change in the company owner's business address, the company owner shall, on lodging the appeal, also make appropriate notification of his business address accompanied by evidence of ownership of the facility located at the new address or evidence that he obtained an authorisation from the owner of the facility to operate at this address.

(7) Pursuant to the final decision referred to in paragraph (5) of this Article or pursuant to the notification of the competent authority referred to in points 1 and 4 to 9 of paragraph (3) of this Article, the AJPES shall issue, shall, ex officio, a decision to delete the company owner from the Business Register of Slovenia. An appeal against this decision may be lodged with the ministry responsible for the economy within eight days.

(8) The method and the procedure for winding up of a company owner’s operations shall be prescribed by the minister with responsibility for economy.

(9) The provisions concerning the winding up of activities shall also apply, mutatis mutandis, if the company owner intends to sell his undertaking or invest it in a company.

PART III

COMPANIES
Chapter One

UNLIMITED COMPANIES

Section 1

FORMATION

Article 76
(Definition)

(1) An unlimited company shall be a company formed by two or more persons who assume liability for the company's obligations with all their assets.
(2) The company shall be established by means of a contract of partnership between Company Members.

Article 77
(Subsidiary application of civil law)

Unless otherwise provided in this Act, the rules governing a contract of partnership in civil law shall apply, mutatis mutandis, to unlimited companies.

Article 78
(Application for registration)

(1) An application for registration shall also include the name, surname, permanent residence or corporate name and registered office of each company member.
(2) The application shall be submitted by all Company Members.

Section 2

LEGAL RELATIONS BETWEEN COMPANY MEMBERS

Article 79
(Contractual freedom)

Legal relations between the Company Members shall be governed by the contract of partnership.

Article 80
(Capital contributions)

(1) Unless agreed otherwise, Company Members shall make equal capital contributions.
(2) Company members may contribute money, property, rights or services to the business. Company members shall estimate the monetary value of a non-cash contribution by mutual agreement.
(3) A company member shall not be obliged to increase the agreed contribution or to supplement a contribution reduced by a loss.

Article 81
(Duty to act with care and diligence)

(1) Company members shall be obliged to comply with the assumed obligations with the same care and diligence with which they would conduct their own affairs.
A company member shall be liable for the damage caused to the company intentionally or by gross negligence.

(3) A company member can file a lawsuit on his own behalf or on behalf of the company against another company member that failed to meet his obligations as a company member in the formation or management of the company. In this respect, the provisions of Article 503 shall apply, mutatis mutandis.

Article 82
(Reimbursement of expenses and compensation)

(1) A company member shall have the right to claim from the company reimbursement of the costs incurred in the pursuit of the company's affairs and which are necessary in view of the circumstances, and compensation for the damage suffered by the company member directly as a result of conducting operations or risks that are closely associated with the carrying out of such operations.
(2) The company shall pay interest on the money used for payment under the preceding paragraph from the moment when the company member incurred the costs or suffered the damage.
(3) A company member may claim advance payment from the company for expenses which are essential for dealing with the company's affairs.
(4) A company member shall surrender to the company forthwith all benefits which he acquires from third persons for managing or taking part in the management of the company's operations.

Article 83
(Duty to pay interest)

A company member who fails to pay in his cash contribution on time, or who fails to deliver to the company the money received for the company in good time, or who uses the company's money for himself without authorisation, or who is late in respect of any other of his contributions, shall pay penalty interest.

Article 84
(Consequences of violation of prohibition on competition)

(1) If a company member violates the prohibition on competition, the other Company Members shall decide whether to pursue claims under Article 42 of this Act.
(2) The provisions of Article 42 of this Act shall not prejudice the rights of Company Members to require the dissolution of the company and to pursue other demands in accordance with this Act.

Article 85
(Conduct of business)

(1) All members shall be entitled and obliged to conduct the business of the company.
(3) If the conduct of business is transferred by the memorandum of association to one or more Company Members, the other Company Members may not conduct the company's business.

Article 86
(Transfer of the entitlement to conduct business)

(1) A company member may not transfer the entitlement to conduct business to a third person if this is not permitted by the memorandum of association or the other Company Members.
(2) If the transfer of the entitlement to conduct business is permitted, Company Members shall be responsible only for choosing the persons to whom this entitlement is transferred.  
(3) Company members shall be responsible for actions of an assistant.  
(4) In accordance with paragraph (3) of Article 81 of this Act, a company member shall be entitled to file a lawsuit against the person to whom the entitlement to conduct business has been transferred.

Article 87

(Several members conducting business)

(1) If all or several Company Members are entitled to conduct business, each of them shall be entitled to conduct business alone. If another member who is entitled to conduct business opposes the implementation of a transaction, such transaction shall not be carried out.

(2) If the memorandum of association provides that the Company Members who are entitled to conduct business may only conduct business jointly, each operation shall be subject to approval by all Company Members, unless the delay in carrying out of a transaction would present a risk.

Article 88

(Failure to follow instructions and the obligation to report)

(1) The memorandum of association may provide that the Company Members who conduct business shall be obliged to take account of the instructions of the other members. If a company member believes that, in view of the circumstances, the instructions are not reasonable, the company member shall notify the other Company Members thereof and wait for their decision. A member may take action irrespective of instructions if to delay would present a risk and if he believes that the members would approve his decision if they were aware of the state of facts.

(2) A member who conducts business shall be obliged to provide the company with the necessary reports, to inform the company on request as to the state of operations and to submit accounts statements to it.

Article 89

(Extent of the entitlement to conduct business)

(1) The entitlement to conduct business shall encompass all actions that are carried out regularly in the pursuit of the company's activity.

(2) The consent of all the members shall be required for actions which exceed the framework of actions referred to in the preceding paragraph.

(3) The approval of all the members who are entitled to conduct business shall be required for the appointment of a procurator unless to delay would present a risk. A procuration may be revoked by any company member who is entitled to grant it or who is entitled to participate in the granting of it.

Article 90

(Withdrawal of the entitlement to conduct business)

At the proposal of the other Company Members the court may withdraw a company member's the entitlement to conduct business if good reason exists, and especially in the case of a serious breach of obligations or inability to conduct business properly.

Article 91

(Waiver of the entitlement to conduct business)
(1) A company member may waive his entitlement to conduct business only if there is a well-founded reason for it. A company member may not waive such entitlement.

(2) The Company Members may waive their entitlement to conduct business only by doing everything that is necessary for a continuous conduct of business unless a good reason exists to waive their entitlement to conduct business at an inappropriate time. If no such reason exists and a company member waives his entitlement to conduct business at an inappropriate time, the company member shall reimburse the company for any resulting damage.

Article 92
(The right of inspection)

(1) All Company Members, including those not entitled to conduct business, may examine the company's affairs and shall have the right to inspect the company's books and documents.

(2) If a company member believes with good reason that business is being conducted dishonestly, he may exercise the right from the preceding paragraph even if it is excluded or restricted by the memorandum of association.

Article 93
(Decision-making by Company Members)

Company members that are entitled to conduct business shall take decisions unanimously unless the memorandum of association determines that a majority suffices; in the case of doubt the majority shall be calculated in accordance with the number of Company Members.

Article 94
(Annual financial statement)

(1) At the end of each financial year the profit or loss shall be established on the basis of the annual financial statements and the share of each member in the profit or loss shall be calculated.

(2) The profit accruing to a company member shall be added to his capital share; the calculated share of a company member in any loss and the money which the company member has withdrawn during the course of the financial year shall be deducted from the company member's capital share.

Article 95
(Distribution of profit and loss)

(1) Each member shall initially be allocated a share of the profit amounting to 5% of his holding. If the profit is not sufficient for this purpose, the shares shall be reduced accordingly.

(2) In the calculation of the share of profit accruing to a company member in accordance with the preceding paragraph, the payments made by the company member during the financial year as contributions shall be taken into consideration in proportion to the time that has elapsed since the payments were made. If a company member withdraws money from his capital share during the course of the year, the reduced share shall be taken into account in proportion to the time that has elapsed since the withdrawal.

(3) The share of the profit which exceeds the profit shares calculated in accordance with paragraphs (1) and (2) of this Article, and any loss in the financial year, shall be distributed equally among the Company Members.

Article 96
(Reduction in capital share)
(1) Each member may withdraw money from the company to the debit of his own share up to 5% of his capital share established in the previous financial year, and may also, unless it would be clearly detrimental the company, also require the payment of his share in the profit in the previous financial year which exceeds the aforementioned amount.

(2) A member may not reduce his capital share without the consent of the other members.

**Article 97**

*(Prohibition to dispose of capital shares by Company Members)*

A company member may not dispose of his share without the consent of the other Company Members.

**Section 3**

**LEGAL RELATIONS BETWEEN THE COMPANY MEMBERS AND THIRD PARTIES**

**Article 98**

*(Representation)*

(1) Each company member shall be entitled to represent the company unless he is barred from representing the company by the memorandum of association.

(2) The memorandum of association may provide that all or some of the Company Members are only jointly entitled to represent the company. Members who are entitled to jointly represent the company may choose an individual from among their number and authorise that individual in writing to carry out certain operations or certain types of operations. For an expression of will to be given to the company it shall suffice to be expressed to one of the individuals entitled to jointly represent the company.

(3) The memorandum of association may provide that the Company Members are entitled to represent the company only together with the procurator. In this case the provisions of the preceding paragraph shall apply.

(4) The barring of a company member from representing the company, the decision on joint representation or the inclusion of a procurator in accordance with the preceding paragraph as well as any changes in respect of a company member's entitlement to represent the company shall be reported for registration purposes by all Company Members.

**Article 99**

*(Withdrawal of the right of representation)*

At the proposal of the other Company Members the court may withdraw a company member's the entitlement to represent the company if good reason exists, and especially in the case of a serious breach of obligations or inability to conduct business properly.

**Article 100**

*(Personal liability of Company Members)*

(1) All the members shall be subsidiary liable to creditors for the liabilities of the company with all their assets. If the company fails to fulfil a liability to a creditor at his written request, all the members shall be jointly and severally liable.

(2) Any contrary agreement by the Company Members in respect of their liability to third parties shall have no legal effect.

(3) In the case of withdrawal of a company member such company member shall be responsible for the company's liabilities incurred prior to the announcement of registration of the termination of membership.

**Article 101**

*(Objections by individual Company Members)*
If a claim is lodged against a company member as a result of liabilities of the company, the company member may lodge a personal objection or an objection that could be lodged by the company.

**Article 102**
(Repayment of loans)

In a company in which none of the members is a natural person, the provisions of Articles 498 and 499 of this Act shall apply *mutatis mutandis*; however, not if one of the members is another unlimited company or a limited partnership in which at least one personally liable member is a natural person.

**Article 103**
(Liability of a new member)

(1) Anyone who joins an existing company shall be liable for the company's obligations assumed before the company is joined by a new member, notwithstanding whether or not the company's corporate name was changed.

(2) Any contrary agreement by the Company Members in respect of the new member's liability to third parties shall have no legal effect.

**Article 104**
(Duty to propose procedures in the event of insolvency or over-indebtedness)

(1) If a company in which none of the members is a natural person becomes insolvent or over-indebted, the commencement of a bankruptcy procedure or composition procedure shall be proposed; this shall not apply if one of the members is another unlimited company or a limited partnership in which at least one personally liable member is a natural person. The commencement of these proceedings shall be proposed by representatives of the company or the liquidators. The proposal must be made without delay, no later than three weeks after the occurrence of the fact relating to the insolvency or over-indebtedness of the company which is defined by a special act the grounds for the commencement of bankruptcy proceedings.

(2) After a company has become insolvent or its over-indebtedness has become evident, the authorised representatives of the company or the liquidators may no longer execute any payments for the company other than payments which, even after this time, are carried out with due care and diligence.

(3) The members shall be jointly and severally liable for damage in the event of a violation of the provisions laid down in the preceding paragraph unless they demonstrate that they acted with due care and diligence. Liability for damage may neither be limited nor excluded by an agreement between the partners. If compensation is required to pay off the company's creditors, the liability for damage shall not cease either by waiver or set-off or the fact that such action is based on a resolution by the Company Members.

Section 4

**DISSOLUTION OF A COMPANY AND EXCLUSION OF COMPANY MEMBERS**

**Article 105**
(Grounds for dissolution)

An unlimited company shall be dissolved:
- upon expiry of the period for which it was established;
- by resolution of the Company Members;
- through bankruptcy;
- upon the death or winding-up of a company member unless otherwise provided by the memorandum of association;
  – by termination;
  - under court ruling;
- if the number of Company Members falls below two, except in the case from Article 115 of this Act;
- in other cases provided for by the law.

**Article 106**
(Notice by a company member)

(1) If a company is established for an indefinite period of time, a company member may terminate the memorandum of association at the end of the financial year provided that such notice is given in writing to the other members at least six months prior to this date.

(2) Any agreement excluding the right of a company member to give notice or rendering it difficult in any way other than extending the notice period shall be null and void

**Article 107**
(Dissolution under court ruling)

(1) If good reason exists, a company member may take legal action requiring the dissolution of the company:
  - prior to the expiration of the period determined for its duration; or
  - without a notice period referred to in the preceding paragraph if the company is established for an indefinite period of time.

(2) Good reason shall be deemed to exist if another company member wilfully or through gross negligence violates any substantial obligation under the memorandum of association or if the fulfillment of such obligation becomes impossible.

(3) Instead of the company being dissolved in accordance with the first paragraph of this article, one or more of the Company Members may require through legal action the exclusion of the member in respect of whom good reason for such action exists.

(4) Any agreement excluding or restricting the right to require the dissolution of the company or the exclusion of a company member shall be null and void.

**Article 108**
(Company established for the lifetime of a company member)

A company established for the lifetime of a company member or which continues as a sleeping partnership following the period determined for its validity shall be deemed to be a company formed for an indefinite period in respect of the provisions on notice by a member or dissolution under a court ruling.

**Article 109**
(Protection of the good faith of a member)

If a company is dissolved in any way other than by notice, a company member who is unaware of the dissolution of the company shall conduct the company's business until he discovers or should have discovered that the company has been dissolved.

**Article 110**
(Death or dissolution of a member)

(1) If a company is dissolved on the death of a company member, the successor of the deceased member shall inform the other Company Members of the death without delay and
shall continue the operations in case of impending risk until the successor and the other Company Members jointly make arrangements for continued operations under this Act.

(2) In the case from the preceding paragraph, the members shall continue to carry out the operations entrusted to them.

(3) The provision from the preceding paragraph shall also apply, *mutatis mutandis*, in other cases of dissolution of a company member.

**Article 111**

(Exclusion of a company member)

(1) The memorandum of association may provide that a company will continue to exist with the remaining members if any of the members gives notice to cancel the memorandum of association, dies or is dissolved.

(2) In the case from the preceding paragraph it shall be deemed that the status of company member ends at the moment when the company is dissolved for any of the reasons referred to in the preceding paragraph.

**Article 112**

(Settlement of assets with an excluded company member)

(1) The stake of an excluded company member shall accrue to the company's assets held by the remaining Company Members.

(2) Items provided by an excluded company member to the company for its own purposes shall be returned to the excluded company member. The company member may not claim compensation for accidental destruction of, damage to or reduction in the value of these items.

(3) The excluded company member shall be paid in money the amount he would receive in the settlement if the company were dissolved during his exclusion. If necessary, the value of the company's assets shall be determined by appraisal.

(4) The excluded member shall be exempted from payment of the company's debts. If such debt is not yet due, the company may offer the excluded company member security instead of exemption.

(5) If the value of the company's assets is insufficient to cover the company's debts and the capital shares of the members, the excluded member shall pay a part of the shortfall in proportion to his share in the loss.

(6) The provisions of this Article shall also apply, *mutatis mutandis*, to the settlement of assets with the excluded member, whereby the deciding factor shall be the amount of the company's assets on the bringing of action for exclusion.

**Article 113**

(Participation of an excluded member in unfinished operations)

(1) An excluded member shall participate in the profit and loss from operations which remained unfinished at the time of his exclusion. The company shall have the right to complete such operations in the manner it believes most appropriate.

(2) At the end of each financial year, the excluded member may require a statement of the operations completed during the year, the payment of sums owing to him and a report on the status of unfinished operations.

**Article 114**

(Continuation of a company through successors)

(1) Following the death of a company member, the company's operations may be continued through successors if so provided for by the memorandum of association. A successor may require that he be recognised the status of a Limited Partner on the basis of
his existing share in the profits and that the deceased company member's share accruing to him be recognised as his limited partnership contribution.

(2) A successor may be excluded from the company without notice if the remaining Company Members disagree with his proposal from the preceding paragraph.

(3) Successors may exercise the rights referred to in paragraphs (1) and (2) of this Article within one month of the date when the letter of administration becomes final. If a successor has no legal capacity and has no legal representative, the one-month time limit shall not begin until the appointment of a representative or until the successor acquires legal capacity.

(4) If a successor is excluded from the company or the company is dissolved or a successor acquires the status of Limited Partner within the time limit from the preceding paragraph, the successor shall be liable for the company's current debts only in accordance with regulations on the liability of successors for the deceased company member's debts.

(5) The memorandum of association may not exclude the application of the provisions of this article. If, however, a successor acquires the status of a Limited Partner, his share in the profits may be determined by contract in a manner which is different from that relating to the deceased company member.

Article 115
(Continuation of a company through a single member)

(1) If for any reason a company is left with only one member, that member shall be obliged to take all action that is necessary to bring the company into line with the conditions laid down by this Act within one year or to continue his business activity as a company owner.

(2) If a company member fails to notify the entry of a change in the register within the time limit from the preceding paragraph, the company shall be dissolved.

Article 116
(Takeover by one company member)

(1) If a company has only two members, the court may, if one of them has grounds to permit an exclusion of a company member in the case of a larger number of Company Members, the court may permit the other member at his request to take over the company with its assets and liabilities without it going into liquidation.

(2) The provisions applying to the exclusion of a company member shall apply, mutatis mutandis, to the division of the company's assets.

Article 117
(Entry into the register)

(1) The dissolution of a company shall be reported for entry into the register by all Company Members unless the company is dissolved as a result of bankruptcy.

(2) Exclusion of a company member shall be reported for entry in the register by the remaining Company Members.

(3) Registration shall also be possible without the successors' participating in the application for entry in the register if such participation is prevented by special constraints and if it can be reasonably presumed that the death of a company member was the cause of the dissolution of the company or exclusion of a company member.

Section 5
WINDING-UP OF A COMPANY

Article 118
(Necessity of winding-up)
(1) A company shall be wound up in all cases referred to in Article 105 of this Act except the case from the third indent.

(2) If there are no special provisions in this section, the provisions of this in this Act on the winding-up of a public limited company shall apply, *mutatis mutandis*, to the winding-up of a company.

**Article 119**  
(Appointment of liquidators)

(1) A company shall be wound up by all the members as liquidators unless this task is entrusted to individual Company Members or third persons by resolution of the Company Members or under the memorandum of association. Where a single company member has more than one successor, its successors shall appoint a joint representative.

(2) On the proposal of a person having a legal interest the liquidators may be appointed for a good reason by the court; in this case, the court may appoint persons who are not Company Members as liquidators.

**Article 120**  
(Discharge of liquidators)

(1) Liquidators may be discharged by unanimous resolution of the persons referred to in paragraph (1) of the preceding article.

(2) The court may also recall the liquidators for good reason at the proposal of a person having a legal interest.

**Article 121**  
(Notification for entry in the register)

(1) Liquidators shall be notified for entry in the register by all Company Members. The same shall also apply to any changes of liquidators or their authorisations to represent the company. In the case of the death of a company member registration may be made without the successors’ participation in the notification if such participation is prevented by special constraints and if it can be reasonably presumed that the notification corresponds to the actual situation.

(2) The registration of court-appointed liquidators and the registration of discharge of liquidators by the court shall be carried out *ex officio*.

(3) Liquidators shall deposit their specimen signatures with the registration authority.

**Article 122**  
(Rights and duties of liquidators)

(1) Liquidators shall complete their current operations, recover claims, realise the remaining assets and pay off the creditors; they may enter into new transactions in order to complete the unfinished operations.

(2) The liquidators shall represent the company.

**Article 123**  
(Return of items)

Items made available for free use to the company by the Company Members shall be returned to the Company Members. The Company Members may not claim compensation for accidental destruction of, damage to or reduction in the value of these items.

**Article 124**  
(Joint representation and conduct of business)
(1) If there is more than one liquidator, they may only carry out activities relating to liquidation jointly, unless it is provided that they may also operate individually. Such provision shall be entered in the register.

(2) Notwithstanding the preceding paragraph, the liquidators may authorise one from among themselves to carry out certain operations or certain types of operations in order to make a statement to the company, it shall be suffice to be made to one of the liquidators.

Article 125  
(Unlimited powers)

Restrictions on powers of liquidators shall have no legal effect towards third parties.

Article 126  
(Binding instructions)

In relation to participants, liquidators, even if they have been appointed by the court, shall be bound to observe the decisions taken unanimously by the participants in respect of the conduct of business.

Article 127  
(Corporate name and signing)

The liquidators' signature and their current corporate name shall be followed by the words "in liquidation".

Article 128  
(Liquidation account)

Liquidators shall draw up a liquidation account at the beginning and at the end of the winding-up process (opening and closing liquidation account).

Article 129  
(Division of assets)

(1) After payment of the debts, liquidators shall divide the company's remaining assets among the Company Members in proportion to their interests in the capital established on the basis of the closing liquidation account.

(2) The funds which are not needed during the winding-up process shall be temporarily distributed, but the amount needed to cover unmatured and doubtful liabilities and to cover the amounts accruing to the Company Members in the final division shall be retained. The provisions of paragraph (1) of Article 96 of this Act shall not apply during the winding-up procedure.

(3) If a dispute arises among the Company Members as to the division of the company's assets, liquidators shall postpone the division of the company's assets until final settlement of the dispute.

Article 130  
(Settlement between Company Members)

If a company's assets of the company are insufficient to meet the company's liabilities and the members' capital shares, the members shall make up the missing amount in the same proportion in which they are obliged to cover losses. If one of the Company Members is unable to pay the required amount, the other Company Members shall make up the difference in proportion to their shares in capital.
Article 131
(Internal and external relations)

Until the conclusion of the winding-up, the provisions of Sections 2 and 3 of this Chapter shall apply in respect of legal relationships between Company Members and in respect of the company's relationship with third parties, unless this section or the purpose of the liquidation provide otherwise.

Article 132
(Notification of removal of the corporate name from the register; books of account)

(1) At the conclusion of the winding-up, liquidators shall notify the removal of the company from the register.

(2) The books of account and accounting documents of the dissolved company shall be delivered to a company member or to a third person for safekeeping. In the absence of an agreement on this matter, the company member or the third person in charge of safekeeping the dissolved company's books shall be determined by the court.

(3) The Company Members and their assigns shall have the right to inspect and use the books of account and documents.

Section 6

STATUTE OF LIMITATIONS

Article 133
(Limitation of claims towards Company Members)

(1) Claims towards Company Members arising from the company's liabilities shall fall under the statute of limitations within five years after the dissolution of the company or the exclusion of a company member, unless a claim against the company is time-barred within a shorter period.

(2) The limitation period for claims shall begin no later than on the date of publication of the entry of the dissolution of the company or the exclusion of the member in the register.

(3) If a creditor's claim towards the company matures only after the entry of the company's dissolution in the register, the limitation period shall begin on the maturity date.

Article 134
(Interruption of the statute of limitations)

An interruption of the statute of limitations in respect of the company shall also affect the Company Members.

Chapter Two

LIMITED PARTNERSHIP

Section 1

FORMATION

Article 135
(Definition)

(1) A limited partnership is a company formed by two or more persons in which at least one of the partners is liable for the liabilities of the company with all his/her assets (a general partner) and at least one partner is not liable for the liabilities of the company (a Limited Partner).
(2) Unless otherwise provided in this chapter, the provisions of this Act applying to an unlimited company shall apply, mutatis mutandis, to a limited partnership.

Article 136
(Notification of entry in the register)

(1) A notification for entry in the register shall, in addition to the data required for an unlimited company, also include the details of the Limited Partners and the amount of their contributions.
(2) The publication of the company's registration shall only indicate the number of Limited Partners with no reference to other data about them.

Section 2
LEGAL RELATIONS BETWEEN PARTNERS

Article 137
(Freedom of contract)

Legal relations between partners shall be regulated by the partnership agreement.

138. Article 138
(Management of partnership)

(1) Limited partners shall not be entitled to conduct the partnership's business.
(2) A Limited Partner may not oppose the operations of the general partners provided they do not exceed the normal scope of the partnership's activity.
(3) Notwithstanding the provision of the preceding Article, a Limited Partner shall assume the liability of a general partner if he acts in contravention of the provision of paragraph (1) of this Article.

Article 139
(Violation of non-compete obligation)

The provisions of Article 84 of this Act shall not apply to Limited Partners unless the partnership agreement provides otherwise.

Article 140
(Right of supervision)

(1) A Limited Partner shall have the right to demand a copy of the annual report and to inspect the books and accounting documents in order to check their accuracy.
(2) Where good reasons exist, the court may at any time, on the proposal of a Limited Partner, order that a copy of the annual report be delivered to the Limited Partner, or that other explanations be given or that the books of account and accounting documents be submitted to the Limited Partner.

Article 141
(Profit and loss)

(1) The provisions of Article 95 of this Act shall also apply to a Limited Partner. A Limited Partner’s profit shall only accrue to his capital share until it reaches the amount of the contribution set for this Limited Partner.
(2) A Limited Partner shall only participate in a loss up to the amount of his share in the capital and the unpaid portion of his contribution.
(Distribution of profit and loss)

(1) If the profit does not exceed 5% share in the capital, the partners' shares in the profit shall be determined in accordance with the provisions of paragraphs (1) and (2) of Article 95 of this Act.

(2) Unless agreed otherwise, for profits exceeding the percentage referred to in the preceding paragraph or for losses it shall be presumed that the proportions applied in the division correspond to the proportions between the shares in the capital.

Article 143
(Withdrawals of money and distribution of profits)

(1) The provisions of paragraph (1') of Article 96 of this Act shall not apply to a Limited Partner.

(2) A Limited Partner may not demand payment of profit as long as his share in the capital has been reduced as a result of loss to below the amount paid for the set contribution or would be reduced below this amount if the payment were made.

(3) A Limited Partner shall not be obliged to repay profit received owing to subsequent losses.

Section 3
LEGAL RELATIONS BETWEEN THE COMPANY MEMBERS AND THIRD PARTIES

Article 144
(Representation)

A Limited Partner shall not be entitled to represent the company but may be granted procuration or proxy.

Article 145
Liability of Limited Partners to creditors

A Limited Partner shall be liable to creditors for liabilities of the partnership up to the amount of the unpaid sum which he would have to pay in under the partnership agreement.

Article 146
(Extent of liability)

(1) After the entry of the partnership in the register, the Limited Partner's contribution in respect of relations with the partnership's creditors shall be deemed to be the contribution shown in the register.

(2) Creditors may not refer to an increase of a Limited Partner's contribution that is not entered in the register unless the partnership notifies them of such increase in another manner.

(3) An agreement among the partners allowing a Limited Partner to avoid or defer payment of a contribution shall have no legal effect on creditors.

(4) If a contribution is returned to a Limited Partner, it shall be deemed to be unpaid in respect of relations with creditors. The same shall apply in the case where a Limited Partner withdraws his share of the profits while his share in the capital is reduced as a result of losses to below the amount of the contribution paid in, or if the withdrawal of a share in the profits the share in the capital is reduced to below the amount of the contribution paid in.

(5) In no case shall a Limited Partner be obliged to return what he receives in good faith as profit based on the annual accounts.

(6) If the general partners are only legal persons who themselves are liable for liabilities, and a Limited Partner invests his share in a general partner which is a legal person as his
contribution in the limited partnership, it shall be deemed that the Limited Partner’s share has not yet been paid into the limited partnership. This shall not apply in the case where the general partner is a legal person whose partners who are natural persons are also liable for its obligations.

**Article 147**  
(Repayment of loans)

The provisions of Articles 498 and 499 of this Act shall apply, *mutatis mutandis*, to the repayment of loans in a limited partnership under paragraph (6) of the preceding Article.

**Article 148**  
(Reduction of contribution)

A reduction in a Limited Partner’s contribution shall have no legal effect on creditors until it is entered in the register.

**Article 149**  
(Liability of a new partner)

Anyone who joins an existing partnership as a Limited Partner shall be liable for the partnership’s liabilities assumed before his joining in accordance with the provisions of Articles 145 and 146 of this Act.

**150. Article 150**  
(Liability before registration)

If a company starts its operations before it is entered in the register, a Limited Partner who consented to the commencement of operations shall be liable for obligations arising prior to the registration in the same manner as a general partner, unless the creditor knows of his participation as a Limited Partner.

**Article 151**  
(Death of a Limited Partner)

A company shall not be dissolved as a result of the death of a Limited Partner.

**Section 4**

**DOUBLE PARTNERSHIP**

**Article 152**  
(Definition)

A limited partnership in which the sole general partner is a partnership in which there are no personally liable partners, or where all general partners are such partnerships, is a double partnership.

**Article 153**  
(A partnership as a general partner)

A company may be formed for the sole purpose of being incorporated into a double partnership as a general partner.

**Article 154**  
(Prohibition of restructuring as double partnership)
Public limited companies, limited liability companies and limited partnerships with share capital may not be restructured as double partnerships.

Article 155
(Prohibition of forming new double partnerships)

A double partnership may not be a general partner in a limited partnership.

Article 156
(Business documents)

(1) All business documents shall, in addition to the corporate name of the double partnership, also include the names and surnames of the members of the general partner's management board in a double partnership.

(2) In matters relating to the conduct of business of a double partnership, the corporate name of the general partner shall be added when a natural person signs on behalf of the company.

Article 157
(Unlimited company as a double partnership)

The provisions of this section shall apply, mutatis mutandis, to an unlimited company in which all members are companies that do not have personally liable members.

Chapter Three
SLEEPING PARTNERSHIP

Article 158
(Definition)

(1) A sleeping partnership shall be formed by a contract on the basis of which a sleeping partner invests in a company of another person (hereinafter: Holder of the Sleeping Partnership) in order to obtain the right to participate in that person's profit.

(2) The Holder of the Sleeping Partnership and one or more sleeping partners shall freely agree on the relations between them and shall act in the implementation of these relations with the same care with which they would conduct their own affairs.

(3) The Holder of the Sleeping Partnership shall enter into legal transactions and shall be the exclusive holder of all rights and obligations arising from the sleeping partnership's operations.

Article 159
(Relations between the Holder of the Sleeping Partnership and the sleeping partners)

Relations between the Holder of the Sleeping Partnership and the sleeping partners shall be governed by a contract unless otherwise provided by this Act.

Article 160
(Profit and loss)

If a sleeping partner's share in the profit or loss of the partnership is not determined, it shall be determined by the court in any dispute with regard to the assets invested and other circumstances.
(Calculation of profit and loss)

(1) At the end of every financial year the Holder of the Sleeping Partnership shall calculate the profit and loss and pay the profit accruing to each sleeping partner in accordance with his contribution.

(2) In the case of loss, a sleeping partner shall share in that loss up to the amount of his subscribed, even though unpaid contribution. A sleeping partner shall not be obliged to repay the profit received due to subsequent losses. As long as his contribution is reduced as a result of losses, the annual profit shall be used to cover losses unless agreed otherwise.

(3) The profit which is not accepted by a sleeping partner shall not increase his contribution in the partnership.

Article 162
(The right to be informed)

(1) A sleeping partner shall have the right to request the Holder of the Sleeping Partnership to provide him with a copy of the annual report and to allow him access to the books and accounting documents.

(2) If the Holder of the Sleeping Partnership fails to grant the sleeping partner's requests from the preceding paragraph, the court may, on the sleeping partner's request, decide that a copy of the annual report be delivered and that books and accounting documents be submitted to the sleeping partner.

(3) The rights of a sleeping partner referred to in paragraphs (1) and (2) of this Article may not be excluded or limited by the contract.

Article 163
(Liability)

The name or surname of a sleeping partner may not be included in the corporate name of the Holder of the Sleeping Partnership, otherwise a dormant partner who knew or should have known about this shall be jointly and severally liable with all his assets to the creditors for liabilities of the Holder of the Sleeping Partnership.

Article 164
(Dissolution of sleeping partnership)

A sleeping partnership shall be dissolved:
- upon the expiry of the period of time for which it was established;
- by agreement between the holder and the sleeping partner;
- upon the abandonment of the business activity by the holder of the dormant partnership;
- on the death or dissolution of the Holder of the Sleeping Partnership, unless otherwise provided by the contract;
- on the resignation of the sleeping partner; or
- under court ruling;

Article 165
(Settlement)

If a sleeping partnership is not dissolved as a result of bankruptcy of the Holder of the Sleeping Partnership, the Holder of the Sleeping Partnership shall make a settlement with the sleeping partner and pay out his contribution to him in money, unless the two sides agreed otherwise by the contract.

Article 166
(Bankruptcy of sleeping partnership holder)
(1) If bankruptcy proceedings are commenced with respect to a sleeping partnership holder, the sleeping partner shall pay in the matured part of his contribution. The sleeping partner may pursue a claim against the Holder of the Sleeping Partnership as a creditor in bankruptcy for the amount of the contribution that has already been paid or that has matured on the commencement of bankruptcy proceedings and which exceeds the share of the loss which the sleeping partner would be obliged to pay.

(2) The sleeping partner shall not be obliged to pay the part into the bankrupt's estate the part of his contribution which has not matured by the time of the commencement of the bankruptcy proceedings with respect to a sleeping partnership holder, notwithstanding the part of the loss which he would have to cover.

Article 167
(Contesting the refund of contribution)

(1) If in the last year prior to the commencement of bankruptcy proceedings, a contribution was refunded by agreement to a sleeping partner in full or in part, or if his share of a loss was waived in full or in part, the trustee in bankruptcy may contest such a refund or waiver, notwithstanding whether it was made on or without the dissolution of the sleeping partnership.

(2) A refund or waiver shall not be possible if bankruptcy is due to the circumstances that arose after signing the agreement referred to in the preceding paragraph of this Article.

Chapter Four
PUBLIC LIMITED COMPANY

Section 1
GENERAL PROVISIONS

Article 168
(Definition)

(1) A public limited company is a company whose share capital is divided into shares.

(2) A public limited company is liable to creditors for its obligations with all its assets.

(3) Shareholders are not liable to creditors for the company's obligations.

Article 169
(Founders)

A public limited company may be formed by one or more natural or legal persons who shall adopt the company's articles of association.

Article 170
(Share capital)

Share capital shall be denominated in euros.

Article 171
(Minimum share capital)

The minimum amount of share capital shall be EUR 25,000.

Article 172
(The form and the minimum value per share)

(1) Shares can be either nominal or no-par value shares. A company may not have the two
types of shares at the same time.

(2) Shares with nominal amounts shall be denominated at a minimum of EUR 1 or
multiples thereof. The proportion of shares with a nominal amount in the share capital shall
be determined in accordance with the ratio between their nominal amount and the amount of
the share capital.

(3) No-par value shares shall not be denominated in a nominal amount. Each no-par value
share shall account for the same proportion and the Corresponding Amount of share capital.
The amount of share capital accounted for by individual no-par value shares (hereinafter: Corresponding Amount) shall not be less than EUR 1. The proportion of the share capital
accounted for by individual no-par value shares shall be determined on the basis of the
number of issued no-par value shares.

(4) Shares with a nominal amount other than that specified in paragraph (2) of this Article
and no-par value shares, with a Corresponding Amount which is lower than the one specified
in the previous paragraph shall be void. The issuers shall be jointly and severally liable for
damage arising from any such issue.

(5) By amending articles of association and by maintaining the share capital unchanged,
nominal or no-par value shares may be:
- split into shares with a lower nominal value or into several parts, or
- merged into shares with a higher nominal amount or into fewer blocks with the approval
of all Shareholders.

(6) The provisions of this Article shall also apply to the certificate of participation which is
delivered to Shareholders before the shares are issued (hereinafter: Interim Certificate).

Article 173
(Issue price of shares)

(1) Shares may not be issued for an amount (hereinafter: Issue Price) which is
lower than the nominal value and, in the case of no-par value shares, lower than the corresponding
amount (hereinafter: Minimum Issue Price).

(2) Shares may also be issued in higher amounts.

Section 2
SHARES

Article 174
(Shares as Securities)

(1) Shares are Securities.

(2) A share certificate shall be issued for each share or for several shares in the same
class together (par value share).

Article 175
Bearer and registered shares)

(1) Shares shall be made out to the bearer or to the name.

(2) Shares shall be made out to the name if they are issued before the full payment of the
Issue Price. The amount of partial payments shall be indicated on each share.

(3) Interim certificates shall be made out to the name.

(4) Bearer Interim Certificates shall be void. The issuers shall be jointly and severally liable
for damage arising from any such issue of shares.

Article 176
(Ordinary and preference shares)

(1) Shares shall be classified as ordinary or preference shares depending on the rights arising from them.
(2) Ordinary shares are shares that grant their holders the following rights:
- the right to participate in the management of the company;
- the right to participate in the profits (dividend); and
- the right to the corresponding part of assets remaining after the winding-up or bankruptcy of the company.
(3) Preference shares are shares which, in addition to the rights set out in the preceding paragraph, also confer upon their holders certain pre-emption rights such as priority in payment of predetermined sums or percentages of the nominal amount of shares or profit, priority payment on winding-up of the company and other rights set out in the company’s articles of association.
(4) In accordance with the resolution to issue shares, cumulative preference shares shall confer upon their holders the pre-emption right to all outstanding dividends before any dividends are paid to holders of ordinary shares in accordance with the resolution on the distribution of profit.
(5) Participating preference shares shall, in addition to preference dividends, also confer on their holders the right to pay dividends accruing to holders of ordinary shares in accordance with the resolution on the appropriation of profit.
(6) The Rights derived from shares shall be indivisible.

Article 177
(Classes of shares)

Shares carrying the same rights shall form a single class of shares.

Article 178
(Voting rights)

(1) Each share shall carry a voting right of one vote.
(2) Only preference shares may be issued without voting rights; however, such shares may not account for more than one half of a company’s share capital.
(3) It shall be forbidden to issue shares which would give a different number of votes with the same proportion of the share capital.

Article 179
(Share components)

Each share shall include:
- a designation that it is a share, the form and share class;
- the corporate name and registered office of the issuer;
- the corporate name or the full name of the buyer (registered shares) or a designation that the share is made out to the bearer (bearer shares);
- in shares with nominal amount, such nominal amount; and
- the place and date of issue, the serial number of the share and facsimile signatures of the authorised persons of the issuer of shares.

Article 180
(Parts of shares)

(1) Each share shall be composed of three parts.
(2) The first part of the share is the bare shell on which all the details set out in the preceding article are indicated.
The second part of the share is the dividend coupon sheet containing coupons for the payment of dividends. Each individual dividend coupon shall include:
- the serial number of the dividend coupon;
- the number of the share for which dividends are paid;
- the corporate name and registered office of the issuer;
- the year in which a dividend is paid; and
- facsimile signatures of the authorised persons of the issuer of shares.

(4) The third part is the renewal coupon, with which the Shareholder exercises the right to a new coupon sheet for the payment of dividends.

Article 181
(Share issue certificate)

(1) The company may issue share certificates to Shareholders. In shares with nominal amount, share certificates shall also clearly indicate the nominal amount of each share.
(2) The certificate from the preceding paragraph may only be used as an evidential paper for exercising the right to participate in voting at the general meeting of Shareholders.

Article 182
(Shares in book-entry form)

(1) Shares must be issued in book-entry form.
(2) The shares referred to in the preceding paragraph shall be subject to the provisions of the act regulating book-entry Securities.

Section 3
FORMATION

Subsection 1
Common provisions

Article 183
(Content of articles of association)

(1) Articles of association, which shall be drawn up in the form of a notarial record, shall determine the following:
- the name, surname and place of residence or the registered name and registered office of each founder;
- the corporate name and registered office of the company;
- the activity of the company;
- the amount of the share capital;
- if the company has shares with nominal amount: the nominal amount of the shares and the number of shares for each nominal amount, and, where there is more than one share class, also the share class and the number of shares issued for each particular class;
- if the company has no-par value shares: the number of shares and, where there is more than one share class, also the share class and the number of shares issued for each particular class;
- whether the shares are bearer or registered shares;
- the amount of paid-in capital as at the day of the company’s registration and the paid-in capital at a time;
- the system of management (one-tier or two-tier);
- the number of members of the management and supervisory bodies or the act by which this number is determined;
the term of office of members of management or supervisory bodies;
- the form and method of making announcements that are important to the company or Shareholders;
- duration of the company if it is established for a specified period of time;
- the method of dissolving the company.

(2) Matters regulated by the law may only be regulated differently by articles of association where the law so explicitly provides. Additional matters may only be regulated by the articles of association where such matters are not comprehensively regulated by the law.

(3) Other issues of importance for the company which are not regulated by the articles of association may be regulated by the company's other rules in accordance with this Act.

**Article 184**

*(Conversion of shares)*

Where so provided by articles of association, a bearer share may be converted into a registered share or a registered share into a bearer share upon request of a Shareholder.

**Article 185**

*(Disclosure of information and communications of the company)*

Information or communications which the management believes to be important for Shareholders shall be published in a newsletter or an electronic medium determined by the articles of association.

**Article 186**

*(Special benefits and formation expenses)*

1. Special benefits for individual Shareholders or third persons may only be determined by the articles of association by indicating the person entitled to such benefits.

2. Only the articles of association may determine the costs which the company shall reimburse to the Shareholders or to other persons as an allowance or as a payment for preparations for the formation of the company.

3. If special benefits or costs referred to in paragraphs (1) and (2) of this Article are not provided for by the articles of association, the contracts and legal acts granting such benefits or providing for the reimbursement of costs shall have no legal effect for the company. This cannot be remedied by amending the articles of association after the company has been entered in the register.

4. The provisions on special benefits and costs referred to in paragraphs (1) and (2) of this Article may only be amended after five years of the company's registration.

**Article 187**

*(Non-cash contributions and non-cash acquisition)*

1. If Shareholders make contributions other than by paying in the Issue Price of shares in money (non-cash contributions), or if the company acquires an existing or future establishment or other items of property (non-cash acquisition), the articles of association shall determine the following: the subject of the non-cash contribution or non-cash acquisition, the person from whom it is acquired by the company, the number of shares and, in the case of nominal value shares, also the nominal value determined by non-cash contribution or non-cash acquisition. Non-cash contribution shall also be considered to exist if the company acquires an item of property for which payment is guaranteed and which should be added to the Shareholder's contribution (non-cash acquisition).

2. Only items of property or rights whose economic value can be established may be considered as non-cash contribution or non-cash acquisition. The duty to perform a service
shall not be considered a non-cash contribution or a non-cash acquisition within the meaning of this Article.

(3) If the articles of association do contain no provisions as set out in paragraph (1) of this Article, any contracts on non-cash contributions or non-cash acquisition as well as legal actions for their execution against the company shall be void. If an agreement on non-cash contribution or non-cash acquisition is void, the Shareholder shall pay in the Issue Price of shares.

(4) After the company is entered in the register, no deficiency from the preceding paragraph of this Article may be rectified by means of an amending the articles of association.

(5) The provisions of this Act relating to non-cash contributions shall apply, *mutatis mutandis*, to non-cash acquisition.

**Subsection 2**

**Subsequent formation**

**Article 188**

(Subsequent formation)

(1) A contract concluded by a company with its founders or Shareholders who have a more than 10% interest in the share capital during the first two years after the entry of the company's formation in the register and on the basis of which the company acquires things or rights at a price that equals at least one-tenth of the company's share capital (hereinafter: Subsequent Formation Contract) shall enter into force when the general meeting adopts a resolution giving consent to the conclusion of a contract and the contract is entered in the register. Legal acts performed by the company for the purpose of fulfilment of a Subsequent Formation Contract to which the general meeting has not given its consent and which is not entered in the register shall be void.

(2) A Subsequent Formation Contract must be concluded in writing unless the law provides that individual types of contract should be made in the form of a notarial record. The company shall allow all Shareholders to examine the Subsequent Formation Contract at the company's registered office and deliver to them, on request, a free copy of the contract no later than on the following business day.

(3) The management shall draw up a written report on the Subsequent Formation Contract. In this report, the management shall particularly explain the purpose of acquisition of the assets as regulated by the Subsequent Formation Contract.

(4) A Subsequent Formation Contract shall be examined by an auditor. The provisions of Article 195 of this Act shall apply, *mutatis mutandis*, to the audit of a Subsequent Formation Contract.

(5) On the basis of the report by the management and the Subsequent Formation Contract audit report, the supervisory board shall examine the contract and prepare a written report.

(6) The Subsequent Formation Contract and the reports referred to in paragraphs (3) to (5) of this Article shall be submitted to the general meeting. At the beginning of the discussion at the general meeting, the management shall give an oral explanation of the content of the Subsequent Formation Contract.

(7) The resolution of the general meeting to give consent to the conclusion of a Subsequent Formation Contract shall be valid if at least three-quarters of the share capital represented at the meeting votes in favour of the resolution. If a Subsequent Formation Contract is concluded in the first year following the entry of the company in the register, the general meeting's resolution to give consent to concluding a Subsequent Formation Contract shall be valid if at least three-quarters of the total share capital votes in favour of the resolution. The articles of association may also lay down a larger majority of equity capital and other requirements.
(8) A Subsequent Formation Contract which was decided by the general meeting shall be included in, or attached to, the minutes of the general meeting.

(9) The management shall file an application for entering the Subsequent Formation Contract in the register. The application shall be accompanied by the following:
- the original or a notarised copy of the Subsequent Formation Contract;
- the minutes of the general meeting which decided on the consent to the conclusion of a Subsequent Formation Contract; and
- the reports referred to in paragraphs (3) to (5) of this Article.

(10) The registration authority may refuse the application for entry if the auditor establishes or if it is evident that the acquisition price of assets which are the subject matter of the Subsequent Formation Contract is inappropriately high.

(11) On the registration of the Subsequent Formation Contract, the registration authority shall enter in the register:
- the date of conclusion of the contract and the date of the general meeting which adopted the resolution to give its consent to the contract;
- the assets which are the subject of the contract; and
- the price.

(12) The provisions of Articles 203 and 204 of this Act shall apply, *mutatis mutandis*, in respect of the damage liability of the members of the management or the members of the supervisory board and other persons for the damage caused to the company as a result of the acquisition of assets in contravention of the provisions of paragraphs (1) to (11) of this Article.

(13) The provisions of the first to twelfth paragraphs of this article shall not apply in respect of the assets acquired by the company in the normal course of business or by way of execution or on the regulated market.

**Subsection 3**

**Simultaneous formation**

**Article 189**
*(Definition)*

A public limited company may be established by adopting and signing the articles of association by all founders who accept all the shares by themselves.

**Article 190**
*(Formation)*

A company shall be formed once the founders acquire all shares.

**Article 191**
*(Payment for shares)*

(1) Shares may be paid for with money or non-cash contributions.
(2) At least one-third of the share capital shall be composed of shares paid for with money.
(3) Only payments made with legal tender to the bank account of a company under formation shall be considered a cash payment. In the case of non-cash contributions, a non-cash acquisition and cash payments, the company shall be allowed to dispose of them permanently and freely from the time the company is entered in the register. At least 25% of the lowest Issue Price of each share which is paid for in money shall be paid in before entering a public limited company in the register. For shares that were partly covered by non-cash contributions the part which is not covered by payment with a non-cash contribution shall be paid for in money before the company is entered in the register.
(4) If the shares are sold above the minimum Issue Price, the entire surplus shall be paid in before the company is entered in the register.
If a company is established by a single founder, the founder shall pay the shares in full before the company is entered in the register or provide appropriate collateral to the company.

**Article 192**

( Appointment of provisional governing bodies of a company )

1. The founders shall appoint a provisional supervisory board or a provisional board of directors of the company and an auditor for the first full or partial financial year.

2. The members the supervisory or management board shall be appointed only until the first general meeting.

3. The supervisory board shall appoint the members of the provisional management board, and the board of directors may appoint provisional executive directors (hereinafter: Executive Director).

**Article 193**

( Formation report )

1. The founders shall draw up a written report on the formation of the company (hereinafter: Formation Report).

2. The Formation Report shall present significant circumstances that conditioned the payment of non-cash contributions or a non-cash acquisition. In this regard, the Formation Report shall particularly include the following:
   - legal transactions through which the company acquired non-cash contributions;
   - if the contribution is an enterprise, its profit for the past two years; and
   - acquisition and production costs for the past two years.

3. The Formation Report shall also include the following:
   - whether and to what extent shares were acquired for the account of a member of the management or the supervisory board on the formation of the company; and
   - whether and how a member of the management or of the supervisory board obtained a special benefit or payment for preparing the company formation.

**Article 194**

( Formation audit )

1. Members of the management and of the supervisory board shall examine the process of the formation of the company.

2. One or more formation auditors shall review the formation process:
   - if a member of the management or of the supervisory board acquires shares;
   - if shares are acquired on the formation for the account of management or supervisory board member;
   - if a member of the management or of the supervisory board obtained a special benefit or payment for preparing the company formation; or
   - if the formation is carried out with non-cash contributions except in the cases referred to in Article 194 of this Act.

3. Formation auditors shall be appointed by the court.

**Article 194a**

( Formation with non-cash contributions without formation audit )

1. Formation auditors need not audit the process of formation of the company in the following cases:
   - if the subject of non-cash contribution is transferable Securities or money market instruments as defined by the act governing the financial instruments market and their value is determined as the weighted average of the average price achieved in one or several
regulated markets as defined by the act governing the financial instruments market at least during a six months period ending one week prior to the date of adoption of articles of association;

– if the subject of non-cash contributions, except transferable Securities and money market instruments referred to in the preceding indent, has already been valued by the auditor not more than six months before the date of surrender of non-cash contribution and the valuation has been performed in accordance with the generally recognised standards and principles of valuation, or

– if the fair value of non-cash contribution, except transferable Securities and money market instruments referred to in the first indent of this paragraph, derives from individual subjects of non-cash contribution shown in the audited annual report for the preceding financial year.

(2) A certificate of the average price weighted average referred to in the first indent of the preceding paragraph shall be issued by the operator of the regulated market at which the transferable Securities or money market instruments that are the subject of non-cash contribution are listed. Formation auditor may confirm the regularity of weighted average calculation instead of such certificate.

(3) In the cases referred to in paragraph (1) of this Article, in addition to the information from paragraph (1) of Article 187 of this Act, articles of association shall also determine that formation auditor need not audit the formation of the company.

(4) In the cases referred to in paragraph (1) of this Article, members of management and supervisory bodies shall, within one month of the delivery of the subject of non-cash contribution, submit to the registration authority and publish in Uradni list Republike Slovenije and the company’s bulleting or electronic media a statement which includes:

– a specification of non-cash contribution;

– its value, source of valuation, and, in the case referred to in the second indent of paragraph (1) of this Article, the methods of valuation;

– the information about whether the value of non-cash contributions equals at least the Issue Price of shares;

– a statement that no new circumstances referred to in paragraph (5) of this Article arose in connection with valuation of non-cash contribution.

(5) If new circumstances arise that significantly influence the value of non-cash contribution at the time when such non-cash contribution is made, the formation of the company shall be examined by one or more formation auditors notwithstanding the provision of paragraph (1) of this Article. Such circumstances also include the situation when the regulated market from the first indent of paragraph (1) of this Article becomes illiquid for such Securities or money market instruments. Formation audit shall be performed at the request of members of the management or supervisory body. Should no such audit be performed in cases referred to in the second or third indent of paragraph (1) of this Article, an auditor shall be appointed by the court on the proposal of founders whose total holdings account for less than one twentieth of the share capital. The founders referred to in the preceding paragraph may file their proposal before delivery of the subject of non-cash contribution.

Article 195
(Scope of formation audit)

(2) The formation audit shall establish in particular:

- whether the founders’ data concerning the acquisition of shares, equity contributions, special benefits, non-cash contributions and non-cash acquisition are correct and complete;

- whether the value of non-cash contributions and non-cash acquisition equals at least the Issue Price of the shares or the amount of payments to be provided for this purpose.

(2) A written report shall be drawn up for each audit, which shall describe the subject of a non-cash contribution or a non-cash acquisition and assessment methods used.
(3) The formation auditor shall deliver one copy of the report to the registration authority and one copy to the company's management. The report shall be available for public inspection at the registration authority.

(4) The law regulating auditing shall apply, mutatis mutandis, to the formation audit in respect of the auditing procedure and conditions. The provisions of paragraph (3) of Article 57 of this Act shall apply, mutatis mutandis, in respect of the damage liability of formation auditors.

Article 196
(Differences between founders and formation auditors)

(1) Formation auditors may request all necessary clarifications and evidence from the founders.

(2) Any differences between the founders and formation auditors as to the scope of clarifications and evidence to be provided by the founders shall be decided by the court.

Article 197
(Payment and reimbursement of expenses to formation auditors)

Formation auditors shall be entitled to reimbursement of their expenses and remuneration for their work. The level of expenses and remuneration shall be determined in accordance with the rates set by the Slovenian Institute of Auditors pursuant to the act governing auditing and shall be charged to the company.

Article 198
(Notification for registration)

The members of the management board or the supervisory board shall notify the company for registration.

Article 199
(Content of notification for registration)

(1) Notification for registration shall include:
- the amount for which shares are issued;
- certificate issued by an authorised bank that the management is free to dispose of the sum paid in;
- assurance from the founders that they are aware of the duty to provide information to the registration authority and that there are no constraints or circumstances in contravention of the provisions of paragraph (2) of Article 255 of this Act.
- the scope of entitlements enjoyed by the management in representing the company.

(2) The notification for entry in the register from the preceding paragraph shall also be accompanied by the following:
- articles of association and documents on the basis of which articles of association were drawn up and documents on the basis of which the founders took over their shares;
- calculation of formation costs chargeable to the company. The statement of calculation shall include payments by maturity and by amount; payment recipients shall be stated individually;
- documents relating to the appointment of management and supervisory bodies;
- Formation Report and formation audit reports for the members of the management or supervisory bodies;
- formation auditors' report in the case of audit of the formation of the company;
- in the case referred to in the first indent of paragraph (1) of Article 194a of this Act, a certificate of the average price weighted average referred to in paragraph (2) of Article 194 of this Act;
– in the cases referred to in paragraph (1) of Article 194a of this Act, a statement by the management and supervisory bodies that the founders referred to in paragraph (5) of Article 194a of this Act made no proposal for the appointment of the auditor.

Reports referred to in the fourth and fifth indents shall also be accompanied by documents which are the basis for significant findings of these reports.
(3) Members of the management board shall deposit their specimen signatures with the registration authority.
(4) The originals or certified copies of the submitted documents shall be kept by the registration authority.

**Article 200**
(Refusal of notification for registration)

(1) The registration authority shall verify that the company has been properly established and registered. If this is not the case, the registration authority shall refuse the registration.
(2) The registration authority may also reject an application for registration if the formation auditors establish or if it is clear that the Formation Report or the report by the members of the management or of the supervisory board are inaccurate, incomplete or do not conform with the law; the same shall apply if the formation auditors declare or the registration body determines that the value of non-cash contributions or of a non-cash acquisition is significantly less than the lowest Issue Price of shares or payments which need to be provided for their issue.

**Article 201**
(Subject of registration)

The subject of registration shall also include the following:
- the amount of share capital and any authorised capital;
- the date of adoption of articles of association;
- the full names and addresses of management board members;
- duration of the company if it is established for a specified period of time; and
- entitlements enjoyed by the management in representing the company.

**Article 202**
(Announcement of registration)

(1) In addition to the subject of registration referred to in the preceding article, the following shall also be published:
- the details set out in paragraph (1) of Article 183 and Articles 184 to 187 of this Act;
- articles of association or other act governing the composition of the management;
- the Issue Price of shares;
- the full names and places of residence or corporate names and registered offices of the founders;
- the full names and permanent residences of the provisional supervisory or management board members.
(2) At the same time, an announcement shall be made that the submitted documents can be inspected at the registration authority, particularly reports by the management or the supervisory board members and formation auditors.

**Article 203**
(Liability of founders)

(1) The founders shall be jointly and severally liable to the company for damage arising from inaccurate information provided in connection with the formation of the company.
(2) If the founders wilfully or though gross negligence cause damage to the company through non-cash contributions or formation expenses, they shall be jointly and severally
liable to compensate the company for the damage thus incurred. Founders who act with due diligence shall not be liable for such damage.

Article 204

(Liability of other persons)

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

- a person who, on receipt of payment which was not included among the formation expenses contrary to regulations, was aware or should have been aware of a wilful evasion or abetted such evasion;
- a person who wilfully or through gross negligence causes damage to the company by means of non-cash contributions or makes such damage possible;
- a person who, prior to the entry of the company in the register or during the first two years after registration, publicly announces shares with a view to putting them into circulation, if that person was aware of or, acting with due diligence, should have been aware of the inaccuracy or incompleteness of the information provided for the formation of the company, or of damage caused to the company through non-cash contributions.

Article 205

(Operations before entry in the register)

(1) If a company assumes a debt before entry in the register, no consent by the creditor shall be required for the validity of debt assumption, provided that the debt assumption is approved by the company within three months of the company's entry in the register and notified to the creditor and the debtor.

(2) No right to equity holdings may be transferred and no shares or Interim Certificates may be issued before the company is entered in the register. Shares or Interim Certificates issued before this time shall be void. The issuers shall be jointly and severally liable to the holders of such shares and Interim Certificates for damage arising from any such issue.

Article 206

(Company with a single Shareholder)

If a single Shareholder becomes the holder of all shares, or if the only other Shareholder is the company itself, this must be entered in the register. The full name and address or corporate name and registered office of the sole Shareholder shall also be entered in the register.

Subsection 4

Successive formation

Article 207

(Definition)

(1) A company may also be formed through a subscription to shares based on an announcement containing an invitation to the public to subscribe for shares (hereinafter: Prospectus), as stipulated by the act governing the financial instruments market, unless otherwise determined by law. The provisions of the previous subsection shall apply, mutatis mutandis, to this type of formation unless otherwise determined by the provisions of this subsection.

(2) The founders shall adopt the articles of association, publish a Prospectus and acquire some of the shares.

Article 208
(Subscription and payment for shares)

(1) The shares and the cash payment for shares may only be subscribed in banks.

(2) The articles of association, reports by the founders and the auditors and the Prospectus shall be made available to subscribers for inspection at the banks referred to in the preceding paragraph.

Article 209
(Subscription form)

(1) Each subscriber for shares shall sign three copies of the subscription form: one for himself and the other two for the company. If the subscription for shares is carried out by a proxy, the copies of the subscription form received by the company shall be accompanied by a proxy statement.

(2) The subscription form shall contain the following:
- the number and class of subscribed shares and the Issue Price at which they are subscribed;
- if the company has shares with nominal amount, the nominal amount of such shares;
- a statement by the subscriber for shares confirming that he will pay in shares under the conditions set out in the Prospectus;
- the amount of money that the subscriber will pay in for shares;
- a statement by the subscriber for shares that he is acquainted with the articles of association, the Prospectus and the reports by the founders and auditors and that he agrees with the articles of association and the formation of the company;
- the signature of the subscriber for shares or his proxy and the address or corporate name and registered office and signature of the authorised person of the bank at which the subscriptions and payments were carried out, and a written confirmation from the bank that the payment has been received.

(3) A subscription form that does not contain the required information or restricts the subscriber's obligations in contravention of this Act shall be void.

Article 210
(Unsuccessful subscription for shares)

(1) The time limit for subscribing and paying for shares shall not exceed three months from the day determined as the start of the subscription.

(2) If all offered shares are not subscribed for and properly paid in, the founders may acquire or subscribe for the unsubscribed and unpaid shares within 15 days of the expiration of this time limit.

(3) If all offered shares are not acquired or subscribed for and correctly paid in even in the manner described in the preceding paragraph, it shall be deemed that the formation is unsuccessful and the founders shall publish a new call to subscribers to collect the sums paid in.

(4) Persons who paid in non-cash contributions or who acquired shares without subscription on the basis of the Prospectus shall be called upon separately to collect the amounts they paid in or contributed to the company whose formation was not successful.

Article 211
(Late payments)

(1) If any subsequent payment falling due before registering the company is not made on time, the founders shall have the right to declare the acquisition of or the subscription for these shares to be invalid and the shares may be acquired by the founders themselves or some other person.

(2) Payments made by the original acquirers or subscribers shall accrue to the company.
Article 212
(Allocation of subscribed shares)

(1) If the share subscription and payment have been successful, the founders shall allocate the shares among subscribers within 15 days of the expiration of the time limit laid down for share subscription in the Prospectus. Shares may not be allocated subscribers if any of the founders is aware of the subscribers’ insolvency.

(2) In the case from paragraph (2) of Article 210 of this Act shares shall be allocated within one month of the expiration of the time limit laid down for share subscription in the Prospectus.

(3) Complete lists detailing the number of each type or class of shares were subscribed for and allocated to each subscriber shall be made available for inspection by the subscribers at the bank through which the share subscription was carried out. The list shall include an instruction to subscribers to whom no shares or not all the shares they subscribed for have been allocated to collect the excess amounts paid in.

Article 213
(Disposal of payments)

The founders may not dispose of payments made for shares, and the management may only dispose of the payments after the company has been entered in the register. Special allowances, refunds and bonuses may not be paid by debiting the company's share capital.

Article 214
(Convening of the founders’ meeting)

(1) The founders' meeting shall be held no later than two months after the expiration of the time limit laid down for the completion of the subscription for shares in the Prospectus. The founders shall convene the founders' meeting by publishing an announcement in the same manner as the Prospectus by allowing at least 15 days between the date of the last publication of the Prospectus and the date of the founders’ meeting.

(2) The subscribers who were allocated shares shall be allowed to inspect the articles of association, reports by the founders and auditors, the list of the subscription forms, the report by the founders on formation expenses, the lists detailing the allocation of shares and the list of persons who acquired shares without subscription on the basis of the Prospectus, with an indication of the number of the type and class of shares acquired by each such person, at the bank through which the share subscription was carried out and at other places at the discretion of the founders within the time limit set out in the preceding paragraph.

(3) The court may extend the time limit for holding the founders’ meeting by one month upon request of the founders based on good reasons.

(4) In the absence of any special provisions for the founder’s meeting, the provisions of this Act concerning the general meeting shall apply.

Article 215
(Consequences of the failure to hold the founders’ meeting)

(1) If the founders' meeting is not held on time, it shall be deemed that the formation of the company was not successful.

(2) Within 15 days of the expiration of the time limit for holding a founder's meeting, the founders shall publish an announcement in the same manner as the first Prospectus and call upon share subscribers to collect their payments.

(3) If the founders fail to publish this announcement on time, the announcement shall be published by the court upon the proposal of one of the subscribers, and at the founders' expense.

Article 216
(Quorum and reconvening of the founder's meeting)

(1) The founders' meeting shall be held at the registered office of the company if no other location is specified in the Prospectus.

(2) The majority of all shares shall be represented at the founders' meeting; if the issue of various classes of shares is envisaged, also the majority of shares in each class.

(3) The founders' meeting shall be opened by a notary public invited by the founders. The notary public shall draw up a list of the share subscribers and acquirers present or their representatives and establish whether the conditions laid down in the preceding paragraph have been met.

(4) If the meeting is not carried out in accordance with the provisions laid of paragraphs (1) to (3) of this Article and if the time limit has not been extended in accordance with the paragraph (3) of Article 214 of this Act, the founders may reconvene the founders' meeting no later than within 15 days; at least eight and no more than 15 days shall pass between the date of convening a new founders' meeting and the date of the new founders' meeting.

(5) If the founders do not reconvene the founders' meeting or if the founder's meeting is not carried out in accordance with paragraphs (1) to (4) of this Article, it shall be deemed that the formation of the company has not been successful.

Article 217
(The procedure of the founders' meeting)

(1) After the meeting is opened, a chair (hereinafter: Chair) and two vote counters shall be elected. Thereafter the reports of founders and auditors shall be read, and annexes to these reports but only at the request of the Shareholders holding at least 10% of all the votes of the Shareholders present or represented.

(2) The minutes of the founders' meeting shall be kept by a notary public. The minutes shall be signed by the notary public, the Chair of the meeting, the two vote counters and the founders of the company.

Article 218
(Powers of the founders' meeting)

(1) The founder's meeting shall:
- establish whether all shares have been subscribed for or acquired, whether the shares have been allocated and whether the payments which should have been made by the time of the founders' general meeting have been made in accordance with this Act and the articles of association;
- determine whether all requirements in respect of non-cash contributions have been met so that the company will be able to dispose freely of non-cash contributions as soon as it is entered in the register;
- determine the maximum permitted amount of formation expenses to be charged to the company;
- elect the company's governing bodies which fall within the competence of the founders' meeting in accordance with the law or the articles of association.

(2) A company shall be formed when the founders' general meeting has adopted all resolutions from the preceding paragraph.

(3) In addition to the documents specified in paragraph (2) of Article 199 of this Act, the notification for registration shall be accompanied by the resolutions referred to in paragraph (1) of this Article.

Article 219
(Voting)

(1) At the founders' meeting, each share shall carry one vote.
(2) Votes shall be cast separately for each non-cash contribution for the findings from the second indent of paragraph (1) of the preceding article, and the founders and subscribers or acquirers of shares shall not have the right to vote on the basis of non-cash contributions. The founders shall not be entitled to vote on matters from the third indent of paragraph (1) of the preceding Article.

(3) The founders' meeting shall decide by majority of shares represented at the meeting which are not excluded from voting.

(4) An amendment to the articles of association in respect of the provisions of Article 183 of this Act may only be adopted with the consent of all subscribers and acquirers of shares. A decision to amend to any other provisions of the articles of association may only be voted upon if the persons entitled to vote whose votes represent two thirds of the share capital are present at the meeting. The decision shall be unanimous.

Article 220
(Re-examination of the founders' report)

(1) If the founders' meeting rejects a proposal to re-examine the founders' report, such re-examination shall nevertheless be carried out if it is requested prior to the election of the company's governing bodies by the subscribers and acquirers of at least one-fifth of all shares which are paid in cash.

(2) Subscribers and acquirers who pay their shares exclusively in cash shall elect three commissioners. One of the commissioners may be selected in a separate ballot by the subscribers and acquirers who requested a re-examination of the founders' report. They shall also participate in the election of other commissioners.

(3) After the election of the commissioners the founders' meeting shall suspend its work for seven days and set a date and time for a new session of the meeting without the need to reconvene the meeting.

(4) The commissioners shall submit a written report to the founders' meeting. If the majority of the commissioners estimate the value of non-cash contributions to be less than two-thirds of the original estimate, the founders' meeting must vote on whether the company should be established at all.

(5) When a vote is cast in accordance with the preceding paragraph, the founders, subscribers and acquirers from whom the company should receive non-cash contributions may not vote in their own name or as representatives. Exclusion from voting shall only apply to the persons concerned upon re-examination of the founders' report.

(6) If a majority is not achieved, the formation shall not be successful unless the founders or other persons present at the meeting acquire all shares held by those who voted against the formation and declared that they did not wish to participate in the company as Shareholders. At the same time, the persons acquiring the shares shall pay to the competent notary public all payments due and sign or complete the subscription forms.

(7) If no vote on the formation of the company is required under the commissioners' report, the costs of the re-examination shall be borne jointly and severally by those who required the re-examination, and in every other case by the founders.

Section 4
LEGAL RELATIONSHIPS BETWEEN A COMPANY AND ITS SHAREHOLDERS

Article 221
(The principle of equal status of Shareholders)

The bodies of the company shall treat the Shareholders equally and under equal conditions.

Article 222
(The principal obligation of Shareholders)

Shareholders shall pay the Issue Price of the shares they subscribed for into the company's account or give the company non-cash contributions.

Article 223
(Consequences of late payment)

(1) Shareholders shall pay in their contributions when they called upon to do so by the management. The call shall be published.
(2) Shareholders who fail pay their contributions on time shall have to pay penalty interest at a rate determined by the law unless a higher rate of interest is laid down by the articles of association.
(3) The articles of association may also set a contractual penalty for contributions that are not paid in on time.

Article 224
(Exclusion of Shareholders due to late payment)

(1) Shareholders who fail pay in their contribution on time may be given an additional deadline with a warning that their shares and any already made payments will be taken away from them on the expiration of this deadline. The extended deadline shall be published and notified to each Shareholder by registered post.
(2) Shareholders who fail to pay their contributions in spite of being called upon to do so once again shall have their shares and any payments made seized and credited to the company. The data on seizure of shares shall be announced together with a specification of their characteristics.
(3) The seized shares shall be replaced by new shares which shall, in addition to the information on already made partial payments, also include the outstanding amount.
(4) Excluded Shareholders shall be liable to the company for the unpaid contribution if the company receives no payment of such contribution as set out in Article 225 of this Act.

Article 225
(Payment liability of predecessors)

(1) Each predecessor of an excluded registered Shareholder entered in the share register shall pay a contribution to the company if his successors cannot be required to do so. The company shall notify the excluded Shareholder's predecessor of its call for payment to the excluded Shareholder.
(2) Each predecessor shall pay only the amounts required by company within two years of the day when the transfer of a share is reported for entry in the share register. A new share certificate shall be issued on payment of the contribution.
(3) If payment of a contribution cannot be recovered from predecessors, the company shall sell the shares immediately on the stock exchange or in another common manner.

Article 226
(Prohibition to exempt Shareholders from obligations)

(1) Shareholders and their predecessors may not be exempted from payment of obligations from Articles 222 and 225 of this Act.
(2) Shareholders may only be exempted from the obligation to pay contributions in the event of a regular reduction in equity capital or a reduction in share capital through withdrawal of shares up to the amount of share capital reduction.

Article 227
(Prohibition to refund and to pay interest on equity contributions)
(1) Equity contributions may not be refunded and may not bear interest.
(2) The following shall not be considered to be a refund of equity contributions:
   - payment of a share of distributable profit under this Act;
   - payment for the purpose of a permissible acquisition of own shares under this Act.
(3) It shall be particularly not permitted to make payments for contributions or services of a Shareholder or companies affiliated with a Shareholder which exceed their real value, notwithstanding whether payment is made to the Shareholder or to the company affiliated with such Shareholder or to a third party by the Shareholder’s order (concealed distribution of profit).
(4) The provisions of Articles 498 and 499 of this Act shall apply, *mutatis mutandis*, to Shareholders with more than 25% of the voting shares in respect of loans to the company instead of own capital.

Article 228  
(Additional obligations of Shareholders)

(1) The articles of association may determine that, in addition to making an equity contribution, a Shareholder shall provide additional services for a consideration or free of charge. This obligation may only be specified if the transfer of shares is subject to the permission of the company. The obligations of Shareholders and the scope of these obligations shall be indicated on shares or Interim Certificates.
(2) The articles of association may specify a contractual penalty for failure to fulfil or for incorrectly fulfilling additional obligations.

Article 229  
(Prohibition to subscribe own shares and to acquire shares)

(1) A company shall not subscribe for its own shares.
(2) A subsidiary may not acquire the shares of the controlling company, and a majority-owned company may not acquire the shares of the company which has a majority share in it, neither as a founder nor on the increase in the share capital, nor in the event of a conditional increase in equity capital. Any acquisition of shares in contravention of this provision shall be valid.
(3) Anyone who, on the formation of the company or increase of its share capital, acquires shares for the account of a company, a subsidiary company or a majority-owned company may not refer to the fact that he did not receive them for his own account and may not derive any rights from them until he accepts shares for his own account.
(4) If on the increase of the share capital the shares are subscribed for in contravention of the provisions of the paragraphs (1) and (2) of this Article, all the members of the management shall be liable for the entire payment unless they can prove that they are not guilty of contravention.

Article 230  
(Appropriation of net and distributable profit)

(1) If a company shows a net profit for the financial year, it shall first use it for the following purposes in the following order:
   1. to cover losses brought forward;
   2. to create legal reserves under paragraph (4) of Article 64 of this Act;
   3. to create reserves for own shares under paragraph (5) of Article 64 of this Act;
   4. to create statutory reserves under paragraph (7) of Article 64 of this Act.
(2) Appropriation of profit for the purposes set out in the preceding paragraph of this Article shall be taken into account by the management in the preparation of the annual report.
(3) When they adopt the annual report, the management or the supervisory bodies may use the amount of net profit remaining after the appropriation of the net profit the purposes
set out paragraph (1) of this Article to create other revenue reserves; however, may not use more than one half of the amount of the net profit remaining after the appropriation of the profit for the purposes set out in the paragraph (1) of this Article for this purpose. The articles of association may authorise the management or the supervisory bodies to use for the purpose set out in this paragraph also a part of the profit which is greater than one half of the amount of the net profit remaining after the appropriation of the profit for the purposes referred to in paragraph (1) of this Article. If the shares of a company are not traded on the regulated market, the articles of association may also restrict the authorisation of the management or the supervisory bodies referred to in the first sentence of this article in such a way that the management or the supervisory bodies may only use a part which is less than one half of the amount of net the profit remaining after the appropriation of the profit for the purposes set out in paragraph (1) of this Article. If the articles of association give the management or the supervisory bodies the power to use, for the purpose set out in the first sentence, a part which is greater than one half of the amount of the net profit remaining after the appropriation of the profit for the purposes referred to in paragraph (1) of this Article, this power shall not apply in the case where other revenue reserves have already reached half of equity capital or when other revenue reserves would exceed one half of the share capital if the power to create revenue reserves were used.

(4) When the decision to adoption the annual report is made in accordance with this Act by the general meeting, it may also adopt a resolution to create other revenue reserves from the amount of the net profit remaining after the profit appropriation for the purposes referred to in paragraph (1) of this Article; however, the general meeting may not use more than one half of the net profit remaining after appropriation for the purposes referred to in paragraph (1) of this Article.

(5) The use of distributable profits shall be decided by the general meeting.

(6) In its resolution on the appropriation of distributable profit the general meeting may decide to allocate an additional amount to other revenue reserves along with any amounts referred to in paragraphs (3) or (4) of this Article. If the articles of association provide distributable profit may also be used for other purposes (e.g. payments to the employees or members of the management board), the general meeting may decide in a resolution to use distributable profit for such other purposes set out in the articles of association.

(7) Shareholders shall be entitled to a share of distributable profit unless the general meeting decides in a resolution to use the distributable profit for the purposes referred to in paragraph (6) of this Article or not to distribute the distributable profit to the Shareholders (profit brought forward) in accordance with the law or the articles of association.

(8) Before a company is wound up, only distributable profit may be distributed to the Shareholders.

**Article 231**

**(Distribution of distributable profit to Shareholders)**

(1) The Shareholders' participation in distributable profit shall be determined in proportion to their shares in the share capital.

(2) If equity contributions are not paid up in full or are not paid up for all shares in the same proportion, the Shareholders' participation in distributable profit shall be determined in proportion to the amount of their payments. Contributions paid in during the financial year shall be taken into account in proportion to the period from the date of payment to the end of the financial year.

(3) A different Shareholders' participation in distributable profit shall only be permitted if so provided by law or the articles of association in accordance with the law.

**Article 232**

**(Interim dividends)**

(1) In accordance with the articles of association, the management may pay an interim dividend based on the anticipated distributable profit at the end of the financial year.
(2) The management may pay an interim dividend only provided that the preliminary accounts show a net profit for the financial year. A maximum of one half of the amount remaining from the anticipated net profit after the creation of revenue reserves in accordance with the law or the articles of association may be paid as an interim dividend. Moreover, the amount of interim dividends shall not exceed one half of the distributable profit for the previous year.

(3) The payment of interim dividends shall be approved by the supervisory board.

Article 233
(Return of unlawfully received payments)

(1) Shareholders shall return to the company any payments which they received from the company in contravention of this Act. If such payments are received in the form of dividends, the obligation to return them shall only apply if the Shareholders knew or should have known that they were not entitled to receive such payments. Shareholders whose combined shares amount to at least one-tenth of share capital or whose lowest Issue Price totals at least EUR 400 000 may pursue such company's claim, whereby Article 328 of this Act shall apply, mutatis mutandis, and a prior resolution of the general meeting shall not be required.

(2) A company's claims from the preceding paragraph may also be pursued by the company's creditors if the company is unable to pay them. If bankruptcy proceedings are commenced with respect to the company, the rights of the company's creditors in respect of the Shareholders shall be exercised by the bankruptcy administrator.

(3) Claims for repayment shall be time-barred after five years from the date of receipt of payment.

(4) The provisions of this Act relating to the provision and maintenance of share capital and tied-up reserves shall be applied to the company's claim from this Article notwithstanding the rules governing contractual obligations. Shareholders cannot be exempt from repayment of unlawfully received payments. Shareholders cannot offset their eventual claims under the law of contracts against the company's claims for repayment under the corporation law.

Article 234
(Payment for additional services)

For additional services which Shareholders are obliged to provide in accordance with the articles of association in addition to their equity contributions, Shareholders may receive payment which does not exceed the value of services notwithstanding whether profit has been recorded.

Article 235
(Entry in the share register)

(1) Registered shares shall be entered in the share register together with the holder's designation or the name, surname and address of the holder.

(2) For registered shares, the Shareholder in relation to the company shall be the person entered as Shareholder in the share register.

(3) If, in the company's opinion, a person is unduly entered in the share register as a Shareholder, the company may delete the entry only if it gives prior notification of its intention to the Shareholder and allows the Shareholder a time limit for filing an objection. If the Shareholder lodges an objection in time, he may not be deleted from the share register.

(4) Each Shareholder shall be allowed access to the share register upon request.

(5) The provisions of this paragraph shall also apply to Interim Certificates.

Article 236
(Transfer of registered shares)
(1) Registered shares shall be transferred by endorsement. Regulations on bills of exchange shall apply, *mutatis mutandis*, to endorsement. The transfer of registered shares issued in book-entry form shall be subject to a special law.

(2) The articles of association may limit the transferability of registered shares by determining, in accordance with this Act, that such transfer is subject to the permission of the company (hereinafter: Permission to Transfer Shares). The decision on the Permission to Transfer Shares shall be made by the company's management. The articles of association may determine that the decision on the Permission to Transfer Shares is to be made by the company's supervisory board or the general meeting.

(3) If registered shares are transferred to another person, the transfer shall be notified to the company and proved by submitting evidence. The company shall record the transfer in the share register.

(4) The provisions of this paragraph shall also apply to Interim Certificates.

**Article 237**

*(Permission for the transfer of shares not traded on a regulated market)*

(1) When registered shares are not traded on a regulated market and the articles of association determine that the company's permission is required to transfer these shares, the articles of association shall give good reasons why the company may refuse to give its permission for their transfer.

(2) The good reasons from paragraph (1) of this Article shall be the reasons which, by taking into account the company's share ownership structure, justify the refusal to permit the transfer of shares in cases when such transfer could jeopardise the achievement of the company's goals or its economic independence.

(3) The company may require the persons who would acquire shares on the basis of the permission to transfer of shares to declare whether they intend to acquire the shares in their own name and for their own account. In such case the company may also refuse to give permission for the transfer of shares if the persons who would acquire the shares on the basis of the Permission to Transfer Shares fail to declare explicitly that they intend to acquire the shares in their own name and for their own account.

(4) When the legal basis for acquisition of shares is inheritance, division of matrimonial assets or a sale carried out in a compulsory execution procedure, the company may refuse to give permission to transfer of shares only if it offers to acquire these shares from the acquirer at their market price.

(5) If the acquirer does not reject the offer to acquire shares referred to in paragraph (4) of this Article within one month of receipt the offer, the acquirer shall be deemed to have accepted the offer.

(6) If the acquirer does not agree with the payment offered for acquisition of shares in accordance with paragraph (4) of this Article, their market price shall be determined on the proposal from the acquirer by the competent court.

(7) The articles of association may not lay down stricter conditions for the transfer of registered shares not traded on a regulated market than the conditions of this Article and in Article 238 of this Act.

**Article 238**

*(Effect of the Permission to Transfer Shares not traded on a regulated market)*

(1) Until the company grants a Permission to Transfer Shares not traded on a regulated market, the acquirer of these shares shall not have any rights deriving from these shares in relations with the company.

(2) Notwithstanding the preceding paragraph of this Article, an acquirer who acquires shares by inheritance, division of matrimonial assets or a sale carried out in a compulsory execution procedure shall acquire property rights deriving from the shares on their
acquisition and the management rights only on the basis of the company's Permission to Transfer Shares.

(3) If the company fails to decide on the Permission to Transfer Shares within three months of receipt of the request from the acquirer or if the company refuses to give Permission to Transfer Shares without justification, it shall be deemed that permission has been granted.

(4) If the company refuses the acquirer's request in contravention of this Act, the acquirer shall acquire the rights deriving from the shares on the date when court ruling instructing the company to grant Permission to Transfer Shares becomes final. In such case, the company shall also compensate the acquirer for damage incurred as a result of the unjustified refusal to grant Permission to Transfer Shares.

Article 239
(Authorisation to transfer shares not traded on a regulated market)

(1) If registered shares are traded on a regulated market and the articles of association determine that the company's permission is required in order to transfer these shares, the only grounds for refusal to give permission for their transfer determined by the articles of association are that by acquiring these shares together with the shares already held by the acquirer prior to the acquisition, the acquirer would exceed a certain proportion of the voting rights or a certain proportion of the company's capital.

(2) The company may request the acquirer to declare whether he intends to acquire the shares in his own name and for his own account. In such case the company may also refuse to give permission to transfer shares if the acquirer does not state explicitly that he acquired the shares in his own name and for his own account.

(3) When the legal basis for acquisition of shares is inheritance, division of matrimonial assets or a sale carried out in a compulsory execution procedure, the company shall not refuse to give permission for the transfer of shares.

(4) The articles of association may not lay down the conditions for the transfer of registered shares not traded on a regulated market that are stricter than the conditions of this Article and Article 240 of this Act.

Article 240
(Effect of authorisation to transfer shares not traded on a regulated market)

(1) An acquirer of registered shares which are traded on a regulated Securities market and whose transfer is restricted in accordance with paragraph (1) of the preceding Article of this Act shall acquire rights deriving from share ownership on the acquisition of shares and management rights only on the basis of the permission from the company to transfer shares.

(2) Until the company gives its Permission to Transfer Shares, the acquirer may not exercise any voting rights or other rights associated with the voting rights derived from these shares but may exercise all other rights deriving from these shares, including the priority right to subscribe for new shares.

(3) Until the company grants its Permission to Transfer Shares, the voting rights deriving from these shares shall be deemed to be unrepresented in the general meeting.

(4) If the acquirer's request for Permission to Transfer Shares is not refused by the company within 20 days of receipt of the request, the permission shall be considered to have been granted.

(5) If the company refuses the acquirer's request in contravention of the provisions of this Act, the acquirer shall acquire the voting rights deriving from the shares on the date when court ruling instructing the company to grant Permission to Transfer Shares becomes final. In such case, the company shall also compensate the acquirer for damage incurred as a result of the unjustified refusal to grant Permission to Transfer Shares.

Article 241
(Legal community and shares)
(1) If a share belongs to several beneficiaries, the rights deriving from this share shall be exercised by a joint representative.

(2) All beneficiaries shall by jointly and severally liable for liabilities arising from the share ownership.

(3) If the company is obliged to express its will to a Shareholder and if no joint representative is appointed by share beneficiaries, it shall suffice for the company to express its will to one of the beneficiaries.

**Article 242**
*(Calculating the share ownership duration)*

(1) If the preliminary condition for exercising the rights deriving from shares is a certain duration of share ownership, this duration shall be counted from receipt of the request for the transfer of the shares submitted by a Shareholder to a financial organisation.

(2) The duration of ownership by a legal predecessor shall be attributed to a Shareholder provided that he acquired the share free of charge as the universal legal successor or upon division of joint assets.

**Article 243**
*(Invalidation of shares in accordance with the amortisation procedure)*

If a share or Interim Certificate is lost or destroyed, the document may be invalidated in accordance with the regulations on amortisation of Securities.

**Article 244**
*(Invalidation of shares)*

(1) If the content of a share certificate becomes incorrect owing to a change in legal circumstances, the company may invalidate the shares which it has not received despite of its request for amendment or replacement of such shares. If the irregularity is due to a change in the nominal value of shares, they shall only be invalidated if their nominal value is reduced with a view to reducing the share capital. Registered shares may not be invalidated because the Shareholder's designation has become incorrect.

(2) The call for delivery of shares shall refer to the court's permission to invalidate shares. Invalidation may only be allowed if the call is published as specified by paragraph (1) of Article 224 of this Act. Invalidation shall become effective on publication. The published invalidated shares shall be marked so that it is unambiguously clear that the shares have been invalidated.

(3) New shares shall be issued instead of the invalidated shares and delivered to beneficiaries or stored, with notice thereof to the court which approved the invalidation of the shares.

**Article 245**
*(Replacement of damaged documents)*

If a share or Interim Certificate is damaged to the extent that it is no longer appropriate for circulation, and its essential contents can still be discerned, its beneficiary may request the company to issue a new document in return for the original one at his expense.

**Article 246**
*(New coupon sheet)*

A new coupon sheet or new coupons shall be delivered to the Shareholders only provided that they submit the renewal coupon and the bare shell of the old shares.

**Article 247**
*(Acquisition of own shares)*
(1) A company may acquire its own shares only if:
- the acquisition is necessary in order to prevent serious and immediate damage to the company;
- shares are to be offered for sale to the employees of the company or of an affiliated company;
- if the company acquires shares with a view to providing compensation to its Shareholders in accordance with this Act;
- if the shares are acquired gratuitously;
- if a bank, insurance company and other financial organisation acquire shares from the purchase committee;
- by way of universal legal succession;
- on the basis of a resolution of the general meeting to withdrawal of shares in accordance with the provisions on share capital reduction;
- subject to authorisation by the general meeting for the purchase of own shares, which shall be valid for not more than 36 months and which shall determine the minimum and maximum purchase price for the acquisition of these shares. The company may not acquire its own shares exclusively for trading purposes. The provisions of Article 221 of this Act and the provisions of the act governing the financial instruments market, insider information and market manipulation shall apply in respect of the acquisition and disposal of a company's own shares. The acquisition or disposal of own shares shall be deemed to be in accordance with Article 221 of this Act if it is carried out on the basis of a transaction concluded on the regulated market. Disposal of own shares in a different manner may only be determined by a general meeting resolution. If the purpose of acquisition of own shares is to exercise a share option, the general meeting resolution shall also determine all essential option plan components, in which case the permitted level of acquisition shall be limited to 10 per cent of the total number of shares, or, in nominal value shares, to 10 per cent of the company's share capital. Disposal of own shares shall be subject to, mutatis mutandis, the provisions of Article 337 and paragraph (1) of Article 344 of this Act. The general meeting may also authorise the management to withdraw own shares without further decision to reduce the share capital.

(2) The total amount of shares acquired for the purposes set out in the first three indents and the eighth indent of the preceding paragraph, together with other own shares which are already held by the company, may not exceed 10 per cent of the share capital. Such acquisition of own shares shall only be permitted if a company acquires shares by creating reserves for own shares without reducing its share capital or by creating legal or statutory reserves which may not be used for payments to Shareholders and provided that the Issue Price of shares had been paid in full. In the cases from the first, second, fourth, fifth and eighth indents of the preceding paragraph, acquisition shall only be permitted if the Issue Price of shares is paid in full.

(3) In the cases referred to in the first and eighth indents of paragraph (1) of this Article, the management shall report on the grounds for and the purpose of acquisition, the total number, the minimum Issue Price and the proportion and value of the acquired shares at the next general meeting. In the case referred to in the second indent of paragraph (1) of this Article the shares shall be offered for sale to the company’s employees within one year of their acquisition.

(4) A legal transaction of acquisition of a company’s own shares which is in violation of paragraphs (1) and (2) of this Article shall be void and the acquisition of shares by the company shall be invalid.

(5) The company may exercise a claim under corporation law against the Shareholder from Article 233 of this Act notwithstanding the company’s claim under the law of contracts due to the nullity of legal transactions and eventual claim for damages. A Shareholder may file claims against the company in accordance with the rules of the code of obligations due to the nullity of legal transactions and other claims under the law of contracts that cannot be offset against the company’s claims under corporation law from Article 233 of this Act.
Article 248  
**(Fictitious transactions)**

(1) A legal transaction by which a company secures an advance payment or a loan for the acquisition of shares or any other transaction with a comparable effect shall be void.

(2) The provision of the preceding paragraph shall not apply to the current legal transactions of financial organisations or to transactions by employees of a company or of an affiliated company who acquire shares. Such legal transactions shall be void if the company is unable to form a fund of own shares without reducing its share capital or a fund required by the law or articles of association, which may not be used for payments to Shareholders.

(3) A legal transaction between a company and another person in accordance with which the other person would be entitled to acquire the company's shares for the account of a company, a subsidiary or a company in which the company has the majority share if the company would acquire the shares in contravention of the provisions of the preceding Article shall also be void.

Article 249  
**(Rights arising from own shares)**

The company has no rights arising from its own shares.

Article 250  
**(Disposal and withdrawal of own shares)**

(1) If a company acquires its own shares in contravention of the provisions of paragraph (1) and (2) of Article 247 of this Act, it shall dispose of them within one year of acquisition.

(2) If the total amount of shares acquired by a company in accordance with the provisions of paragraphs (1) and (2) of Article 247 of this Act and shares which are already in the company's possession exceeds 10 per cent of the share capital, the company shall dispose of the part of the shares in excess of this percentage within three years of acquisition.

(3) If a company fails to dispose of its own shares within the time limits specified in paragraphs (1) and (2) of this Article, its own shares shall be withdrawn.

Article 251  
**(Purchase by a company of its own shares through third persons)**

Anyone who operates on his own behalf and for the account of a company may only acquire or hold shares in the company if the company is permitted to sell its shares in accordance with indents one to six and eight, and paragraph (2) of this Act. The same shall also apply if shares in the company are acquired or held by a subsidiary or a company in which the company has a majority interest, and if the shares are acquired or held by a third person operating in its own name and for the account of a subsidiary or a company in which it has a majority interest. When calculating the total amount of shares in accordance with paragraph (2) of Article 247 and Article 250 of this Act, these shares shall be deemed to be shares of the company A third person or company must sell the shares to the company at its request.

Article 252  
**(Receiving own shares in pledge)**

(1) In accordance with the provisions of Articles 247 and 251 of this Act, own shares shall also include the company's shares received in pledge. A financial organisation may, as a part of its day-to-day operations, receive its own shares in pledge up to the total amount specified in the paragraph (2) of Article 247 of this Act.

(2) If own shares are received in pledge in contravention of the provisions of the preceding paragraph, such acquisition shall be invalid if the Issue Price of such shares has not yet been
paid in full. A transaction in accordance with the law of obligations on the receipt of own shares in pledge shall be void if the shares are acquired in contravention of the preceding paragraph.

Section 5

GOVERNING BODIES OF A PUBLIC LIMITED COMPANY

Subsection 1

Common provisions for management and supervisory bodies

Article 253
(Selection of the management system)

(1) The management and supervisory bodies shall be the management board, the board of directors and the supervisory board.

(2) A company may choose a two-tier management system by appointing a management board and a supervisory board or a one-tier management system by appointing a board of directors.

Article 254
(Composition and number of members of management and supervisory bodies)

(1) The composition and the number of members of the management or supervisory bodies shall be determined by the law and the articles of association.

(2) The management or supervisory bodies shall be composed of at least three members, unless otherwise provided by law.

(3) If a management or supervisory body has several members, one of them shall be appointed Chair.

Article 255
(Appointment and term of office of the members)

(1) Members of the management and supervisory bodies shall be appointed for a period of time which is laid down by the articles of association and which may not exceed than six years with the possibility of reappointment.

(2) Any natural person with legal capacity may be appointed member of a management or supervisory body, other than a person who:

   - is already a member of another management or the supervisory body of the company;
   - has been finally convicted of a criminal offence against the economy, labour relations and social security, legal transactions, property, the environment, space and natural resources. Such a person may not be appointed member of a management or supervisory body for five years after serving the sentence;
   - is subject to a preventive measure prohibiting it from pursuit its profession, for the duration of the prohibition; or
   - who, acting as a member of the management body of a company for which bankruptcy proceedings are instituted, has been pronounced liable to pay damage to the creditors in accordance with the act governing damage liability in financial operations of companies for a period of two years after the court ruling becomes final and absolute.

(3) New members of the management or supervisory bodies shall, together with their application for registration, submit a written statement of non-existence of circumstances that would prevent them from being appointed as members under the provisions of this Act.

Article 256
(Appointment by the court)
If for any reason one or more members of the management or supervisory bodies are not appointed, such member shall be appointed in urgent cases by the court on the proposal from interested persons. The position of a court-appointed member of a management or supervisory body shall cease when a new member is appointed in his place in accordance with the articles of association. Court-appointed members of a management or supervisory body shall be entitled to remuneration and reimbursement of expenses. If a court-appointed member of a management or supervisory body and the company cannot agree on the amount of costs and payments, the decision shall be referred to the court.

**Article 257**

*(Decision-Making)*

(1) A management or supervisory body shall convene at least once in each quarter or in a shorter period of time, as provided by the articles of association.

(2) Each member of a management or supervisory body shall have one vote.

(3) A management or supervisory body shall have a quorum if decisions are made by at least one half of its members unless otherwise provided by the articles of association.

(4) The majority of the votes cast shall be required for a resolution by the management or supervisory body to be valid, unless otherwise provided by law. In the event of an equal number of votes, the Chair of a management or supervisory body shall have the casting vote, unless otherwise provided by the articles of association.

(5) A member of a management or supervisory body may not participate in decision-making on matters relating to him.

(6) Members of a management or supervisory body or persons authorised by them shall be entitled to participate in decision-making by delivering ballot papers to another member of a management or supervisory body.

(7) A management or supervisory body may adopt decisions by correspondence, by telephone, through electronic media or otherwise if this is agreed by all the members of the management or supervisory body, unless otherwise provided by the articles of association or the rules of procedure.

**Article 258**

*(Rules of procedure)*

(1) A management or supervisory body shall adopt rules of procedure with the majority of votes cast by all its members.

(2) Individual issues concerning the activity of a management or supervisory body shall be determined by the articles of association.

**Article 259**

*(Attendance at meetings)*

Persons who are not members of a management or supervisory body shall not be allowed to attend the meetings of the management or supervisory body unless otherwise provided by the articles of association. Experts or rapporteurs may be invited to participate in the discussion of individual items of the agenda.

**Article 260**

*(Convening of meetings)*

(1) At the request of any member of a management or supervisory body, stating the purpose and grounds for convening the meeting, Chair shall convene a meeting without delay. The meeting shall be held within two weeks after it is convened.

(2) If the Chair refuses the request referred to the preceding paragraph, at least two members of a management or supervisory body may convene a meeting of the management or supervisory body and propose the agenda.

**Article 261**
(Approval of a loan)

(1) A company may only approve loans to members of a management or supervisory body and procurators based on a resolution by the management board or the supervisory board. The resolution shall be passed for each loan or each type of loan separately and shall state the interest calculation method and the time limit for loan repayment. Other legal acts which correspond in economic terms to a loan shall also be considered as loans.

(2) A loan contract based on the resolution referred to in the preceding paragraph shall be concluded no later than three months after the adoption of the resolution.

(3) The provisions of the preceding paragraphs shall also apply, mutatis mutandis, to cases where a loan is approved by a controlling company or a subsidiary, in which cases the resolution to approve the loan shall be adopted by the supervisory board or the board of directors of the controlling company, and when the borrower is a family member of a management or supervisory body member or procurator.

(4) If a loan is approved contrary to the provisions of the preceding paragraphs, the received loan amount shall be repaid immediately unless the supervisory board or the board of directors subsequently approves the loan.

Article 262
(Contract with a member)

(1) The rights and obligations of a member of a management or supervisory body which are not laid down by this Act shall be defined in a contract concluded with the company.

(2) The contract shall be approved by the supervisory board or the board of directors; otherwise, the member of a management or supervisory body shall return the benefits arising therefrom.

Article 263
(Diligence and responsibility)

(1) In the performance of their duties on behalf of the company, members of a management or supervisory body shall act with the diligence of a conscientious and fair manager and safeguard the trade secrets of the company.

(2) Members of a management or supervisory body shall be jointly and severally liable to the company for damage arising from violation of their duties unless they can demonstrate that they fulfilled their duties fairly and conscientiously.

(3) Members of a management or supervisory body shall not be obliged to compensate the company for damage if the act by which damage is caused to the company is based on a lawful resolution of the general meeting. The damage liability of the members of the management shall not be excluded even though the act by which it is caused has been approved by the supervisory board or the board of directors. The company may only waive of offset compensation claims three years after the occurrence of the claims, provided that the agreement of the general meeting is obtained and provided that no written objection is made by a minority holding at least one-tenth of the share capital.

(4) A compensation claim by the company against members of the management or supervisory body may also be pursued by creditors of the company if the company is unable to repay them.

Article 264
(Liability for damages arising from interference of third persons)

(1) Persons who use their influence to induce the members of the management or supervisory bodies, the procurator or proxy to act to the detriment of the company or its shareholders shall compensate the company for the resulting damage. Shareholders shall be compensated for damage they suffered notwithstanding the damage that was incurred to them through the damage caused to the company.
(2) In addition to the members of a management or supervisory body, anyone who derives benefits from a damaging action, if such action is committed intentionally, shall also assume joint and several liability. A company's compensation claim may also be pursued by the company's creditors if the company is unable to repay them. (3) The provisions of the preceding paragraphs shall not apply if a member of a management or supervisory body, the procurator or the proxy was committed to the damaging action in the exercise of the following:
- voting rights at the general meeting;
- management entitlement based on a controlling contract; or
- entitlement to manage the principal company into which the company is incorporated.

Subsection 2

(The Management Board)

Article 265
(The management of a company)

(1) The management board shall direct the business operations of the company independently and at its own liability.
(2) The management board may have one or more members (Managers).
(3) If the management board has more than one member, the members shall adopt decisions unanimously unless otherwise provided in the articles of association.
(4) The articles of association may not provide that, in the event of a difference of opinion, the vote of a particular member or members shall prevail over the majority.

Article 266
(Agency and representation)

(1) The management board shall act on behalf and represent the company.
(2) If the management board has more than one member, the members shall represent the company jointly unless otherwise provided in the articles of association.
(3) In the case of joint representation an expression of will given to any of the members of the management board shall take effect against the company as a whole if all management board members are vested with joint powers of representation.
(4) The articles of association or the supervisory board, where so envisaged by the articles of association, may provide that members of the management board individually, or at least two members of the management board together, or a single member of the management board together with the procurator are authorised to represent the company.

Article 267
(Powers and responsibilities of the management board in respect of the general meeting)

The powers and responsibilities of the management board in respect of the general meeting shall be the following:
- prepare measures that fall within the competence of the Council at the request of the Council;
- to draw up contracts and other acts which require the consent of the general meeting in order to be valid; and
- to carry out the resolutions of the general meeting.

Article 268
(Appointment and discharge of the management board)
(1) The members of the management board shall be appointed by the supervisory board. They may not be reappointed earlier than one year prior to the expiration of their term of office.

(2) Individual members or the president of the management board may be discharged by the supervisory board:
- if they are in serious breach of their obligations;
- if they are incapable of conducting business;
- if the general meeting passes a vote of no confidence in them, except where the vote of no confidence is passed for clearly unsubstantiated reasons; or
- for other economic and business reasons (significant changes in the Shareholder structure, reorganisation, etc.).

**Article 269**

*(Participation of management board members in profits)*

(1) The articles of association may provide that members of the management board may share in the profits.

(2) The level of their participation in profits shall normally be set as a percentage of the annual profit of the company.

**Article 270**

*(Remuneration of members of the management board)*

(1) In determining the total remuneration of a particular management board member (salary, reimbursement of expenses, benefits, performance bonuses – share and option remuneration scheme, profit sharing, end-of-term allowance, etc.) the supervisory board shall ensure that the total remuneration is commensurate with the tasks carried out by individual members of the management board and the financial position of the company. If the general meeting does not define the remuneration policy for the members of management bodies, the supervisory board shall follow the principles from paragraph (7) of Article 294 of this Act when determining the remuneration level for individual members of the management board.

(2) If, after the remuneration level has been determined, the operations of the company deteriorate to an extent that threatens the economic position of the company or that could cause damage to the company, the supervisory board may reduce the remuneration. Any such reduction in remuneration shall not affect the other provisions of the contract; a member of the management board shall have the right to terminate contract at the end of the following quarter with two months' notice. (3) The supervisory board may also request that an already paid bonus for business performance or a proportional part of it be returned:
- if the nullity of the annual report is validly established and the reasons for nullity refer to items or facts used as a basis for determining the level of remuneration; or
- on the basis of a Special Auditor's Report which establishes that the criteria for determining the level of remuneration were not used properly or that the key accounting, financial and other data and indicators were not properly defined or considered.

(4) The return of an already paid bonus may be requested within three years of the day of payment of the full bonus or part of it.

(5) The appointment of a special auditor shall be subject, *mutatis mutandis*, to the application of the provisions of Articles 318 to 321 of this Act and paragraph (2) of Article 323 of this Act.

(6) Members of the supervisory board who fail to act in accordance with paragraph (3) of this Article shall be liable for damages under the general rules of the law of damages. Action for compensation of damage suffered by a company due to unjustified payment of a bonus may be filed by Shareholders in their own name and for the account of the company regardless of Article 328 if their total interest accounts for at least one per cent of the share capital.

**Article 271**

*(Non-compete obligation)*
A member of the management board may not pursue an activity with a view to profit in the area of the company's activity without the consent of the supervisory board, or conclude operations for his own account or for the account of another person.

**Article 272**  
(Reporting to the supervisory board)

(1) The management board shall report to the supervisory board at least once every quarter on the following:
- the planned business policy and other general issues concerning operations;
- profitability of the company, particularly its return on equity;
- business performance, particularly the company's turnover and financial position;
- operations which may have a significant impact on the profitability or solvency of the company.

(2) The supervisory board may also require a report on other issues. The management board shall notify the supervisory board of issues concerning the operations of the company and its affiliates.

(3) The management board shall submit to the supervisory board the annual report as soon as it has been drafted. If it needs to be audited, it shall be submitted together with auditor's report. The management board shall attach to the annual report a proposal for appropriation of distributable profit which will be submitted to the general meeting.

(4) The supervisory board may request the management board at any time to report on issues which relate to the operations of the company and which may reasonably be expected to have a significant effect on the company.

(5) The reports shall conform to the principles of conscientiousness and credibility.

**Subsection 3**

The Supervisory Board

**Article 273**  
(Special conditions for members of the supervisory board)

(1) A member of the supervisory board may not be:
- a member of the management board or board of directors of a company's subsidiary;
- a procurator or authorised person of the same company;
- a member of the management board of another company in which a member of the management board of this company serves as a member of the supervisory board;
- a person who is a member of the supervisory or the management board in three other companies; or
- a person who does not meet the conditions laid down in the articles of association;

(2) The supervisory board may appoint its member to deputise for the missing or absent members of the management board for a maximum period of one year. During this time, they may not act as members of the supervisory board. Reappointment or extension of the term of office shall be permitted provided that the entire term of office does not exceed one year.

**Article 274**  
(Election of the members of the supervisory board)

(1) Members of the supervisory board representing the interests of the Shareholders shall be elected by the general meeting.

(2) The articles of association may provide that a maximum of one third of the members of the supervisory board representing the interests of Shareholders shall be appointed by the holders of registered shares whose transfer requires the permission of the company. Such shares shall not constitute a separate class of shares.
Article 275
(Discharge of the members of the supervisory board)

1) The general meeting may discharge the members of the supervisory board before the expiration of their term of office. A majority of at least three quarters of the votes cast shall be required in order to pass a resolution to discharge a member of the supervisory board. The articles of association may also lay down a larger majority and other requirements.

2) A member of the supervisory board who has been appointed by the qualified Shareholders in accordance with paragraph (2) of the preceding article may be discharged by the Shareholders and replaced by another member at any time. The general meeting may discharge such member by simple majority of votes if the right to appointment is terminated.

Article 276
(Appointment and discharge of supervisory board members by the court)

1) The management board shall submit a proposal for the appointment of a member of the supervisory board to the court immediately after determining that the number of members is insufficient for a quorum.

2) Where good reasons exist for doing so, the court shall discharge a member of the supervisory board at the proposal of the supervisory board or Shareholders whose shares account for at least 10 per cent of share capital.

Article 277
(Announcement of changes in the supervisory board)

The management board shall announce forthwith any change in the membership of the supervisory board and notify the change for entry in the register.

Article 278
(Operations of the supervisory board)

1) The supervisory board shall elect a Chair and at least one deputy from among its members. The management board shall notify the full name of the Chair and the deputy Chair for entry in the register. The deputy Chair shall assume the rights and obligations of the Chair only if the latter is in no capacity to exercise them.

2) Minutes shall be kept of the supervisory board's meeting and shall be signed by the Chair or its deputy.

Article 279
(Committees)

1) The supervisory board may appoint one or more committees, (e.g. audit committee, the appointment committee, the remunerations committee) who shall review the proposed decisions of the supervisory board and provide for their implementation and also perform other expert activities. In a company whose Securities are traded on the regulated market, the supervisory board shall set up an audit committee.

2) A committee may not decide on issues which are within the competence of the supervisory board.

3) A committee shall be composed of a Chair and at least two members. The supervisory board shall appoint the committee Chair from among its members.

4) Only the members of a committee may participate in the meetings unless otherwise provided by the articles of association or the rules of procedure of the supervisory board. Experts or rapporteurs may be invited to participate in the discussion of individual items of the agenda.

5) The provisions of Article 257 of this Act shall apply, mutatis mutandis, to the decision-making by the committee.
(6) Committees shall report on their work to the supervisory board.

Article 280
(Audit committee)

(1) If the supervisory board appoints an audit committee, at least one member should be an independent expert in accounting or auditing. Other audit committee members may only be supervisory board members.
(2) The tasks of the audit committee shall include the following:
   – monitoring of the financial reporting procedure;
   – monitoring of the efficiency of the company’s internal control, internal audit, if any, and risk management systems;
   – monitoring of the compulsory audit of annual and consolidated financial statements;
   – reviewing and monitoring the independence of the auditor appointed for the review of the company's annual report, particularly the provision of additional non-audit services;
   – making proposals to the supervisory board regarding the appointment of auditor of the company's annual report;
   – supervision of the integrity of financial information provided by the company;
   – evaluation of the compilation of annual report, including formulation of the proposal to the supervisory board;
   – participation in determining major audit areas;
   – participation in drafting the agreement between the auditor and the company;
   – performance of other tasks laid down by the articles of association or supervisory board resolution; and
   – cooperation with the auditor in auditing the company's annual report, particularly through mutual notification on major audit-related issues.

Article 281
(Responsibilities of the supervisory board)

(1) The supervisory board shall supervise the conduct of the company's business.
(2) The supervisory board may examine and verify the books and documents of the company, its cash box, stored Securities, stocks of goods and other things.
(3) The supervisory board may request from the management board any information needed for supervision purposes. This information may also be requested by any individual member of the supervisory board, and the management board shall submit the required information to the supervisory board if so provided by the articles of association.
(4) The supervisory board may convene a general meeting. The supervisory board shall submit a proposal to the general meeting regarding the appointment of auditor, which shall be based on the audit committee's proposal.
(5) The conduct of the company's operations may not be transferred to the supervisory board. The articles of association or the supervisory board may determine that certain types of operations may only be carried out with its consent. If the supervisory board refuses to give its consent, the management board may require the general meeting to decide whether to grant consent. The general meeting's resolution to grant consent shall require a majority of three-quarters of the votes cast.

Article 282
(Responsibilities of the supervisory board in connection with the annual report)

(1) The supervisory board shall examine the annual report and the proposal for the use of distributable profit submitted by the management board. Each member of the supervisory board or of the audit committee shall have the right to examine and verify all the data used in preparing the annual report, which have to be submitted to him on request unless the supervisory board decides otherwise.
(2) The supervisory board shall draw up a written report for the general meeting on the verification results referred to in the preceding paragraph. The report shall indicate how and to what extent the verification of the company's management was carried out during the financial year. If an audit report is also attached to the annual report, the supervisory board’s report shall also include an opinion on the audit report. At the end of its report, the supervisory board shall indicate whether it has any comments in relation to the annual report on the completion of its verification and whether it gives its approval to the annual report. If the annual report is approved by the supervisory board, it is considered adopted.

(3) The supervisory board shall submit its report to the management board within one month of presentation of the annual report; otherwise, the management board shall set the supervisory board an additional deadline which may not exceed one month. If the supervisory board fails to submit the annual report within this additional deadline, it shall be deemed that the annual report has not been approved by the supervisory board.

Article 283
(Representation of the company towards members of the management board)

The supervisory board Chair shall represent the company towards members of the management board.

Article 284
(Remuneration of supervisory board members)

Members of the supervisory board may receive payment for their work as determined by the articles of association or the general meeting. Remuneration shall be commensurate with the tasks of the members of the supervisory board and the financial position of the company. Members of the supervisory board may not share in the profits of the company.

Subsection 4
Board of directors

Article 285
(Responsibilities)

(1) The board of directors shall manage a company and supervise its operations.
(2) The provisions of Article 267 and 281 of this Act shall apply, mutatis mutandis, to the powers of the board of directors.
(3) The board of directors shall draw up, verify and approve the annual report by applying, mutatis mutandis, the provisions of paragraphs (1) and (2) of Article 282 of this Act. The articles of association may provide that the annual report should be approved and adopted by the general meeting.

Article 286
(Agency and representation)

(1) The board of directors shall act on behalf and represent the company.
(2) If the board of directors appoints Executive Directors from among its members, they shall act on behalf and represent the company unless otherwise provided in the articles of association.
(3) The provisions of paragraphs (2) to (4) of Article 266 of this Act shall apply, mutatis mutandis, to agency and representation.

Article 287
(Special conditions for members)
The fourth and fifth indents of paragraph (1) of Article 273 of this Act shall apply, *mutatis mutandis*, to the conditions for the members of the board of directors.

**Article 288**
(Election and discharge)

The provisions of Articles 274 to 276 of this Act shall apply, *mutatis mutandis*, to the election and discharge of the members of the board of directors.

**Article 289**
(Activities of the board of directors and remuneration of its members)

(1) The provisions of Article 278 and 279 of this Act shall apply, *mutatis mutandis*, to the activities of the board of directors.
(2) The Chair of the board of directors may not be an Executive Director of the company.
(3) The board of directors shall set up the company’s audit committee:
- of which the Securities are traded on the regulated market; or
- in which the employees exercise their right to participate in the company's governing bodies in accordance with the law.
(4) The provisions of Article 280 hereof shall apply, *mutatis mutandis*, to the audit committee, and the members of the audit committee may only be the members of the board of directors who are not Executive Directors. The board of directors shall submit a proposal to the general meeting regarding the appointment of auditor, which shall be based on the audit committee's proposal.
(5) The provisions of Article 284 of this Act shall apply, *mutatis mutandis*, to the remuneration of the members of the board of directors.

**Article 290**
(Executive directors)

(1) The board of directors may appoint one or more Executive Directors. The provision of the paragraph (1) of Article 255 of this Act shall apply to the term of appointment. The members of the board of directors may be appointed Executive Directors.
(2) The board of directors must apply any such appointment and the scope of the powers of representation of individual Executive Directors as well as any change in such data for the entry in the register.
(3) If a person who is not a member of the board of directors is appointed Executive Director, the provisions of Article 255 of this Act shall apply, *mutatis mutandis*, to the conditions of appointment.
(4) The board of directors may delegate the following tasks to Executive Directors:
- to manage day-to-day business;
- to make applications for registration and submission of documents to the registry;
- to administer the books of account; and
- to draw up the annual report and, if the annual report needs to be audited, include the auditor's report and the proposal to the general meeting for appropriation of net distributable profits, and to submit it to the board of directors without delay.
(5) In the performance of their tasks, Executive Directors shall comply with the guidelines and the restrictions imposed by the general meeting, the board of directors, the articles of association and the rules of procedure of Executive Directors.
(6) If there are several Executive Directors, they shall conduct business together, unless otherwise provided in the articles of association or the rules of procedure of the board of directors.
(7) If there are several Executive Directors, they can adopt the rules of procedure for their work unless the articles of association provide that such rules of procedure are to be adopted by the board of directors or the board of directors has already adopted them.
(8) The board of directors may discharge an Executive Director at any time. The rules governing contractual obligations shall be used to decide claims based on the contract of appointment of Executive Directors.

(9) When signing documents for the company, Executive Directors shall add the note "Executive Director" to the registered name of the company and their signature.

(10) The provisions of Article 272 of this Act shall apply, mutatis mutandis, to the reporting by Executive Directors to the board of directors, unless otherwise provided by the articles of association or the rules of procedure of Executive Directors.

(11) The provisions laid down in Articles 261 to 264 and 269 to 271 of this Act shall apply, mutatis mutandis, in respect of Executive Directors.

Article 291
(Public or small companies)

(1) The board of directors of a company, the Securities of which are traded on a regulated market, shall appoint at least one Executive Director from among its members; however, not more than one half of the members of the board of directors may be appointed Executive Directors. Unless otherwise provided by the articles of association, Executive Directors shall perform the duties laid down in paragraph (4) of the preceding Article.

(2) The provisions of paragraph (1) of Article 258 and paragraph (2) of Article 289 of this Act shall not apply to small companies.

Subsection 5
General meeting

Section 1
Powers of the general meeting

Article 292
(General)

(1) Shareholders shall exercise their rights in respect of matters concerning the company at a general meeting, unless otherwise provided by this Act.

(2) Members of the management or supervisory bodies may attend the general meeting even if they are not Shareholders. The articles of association or the rules of procedure of the general meeting may define the cases in which the members of the management or supervisory body may participate in the general meeting through image and voice transfer and the cases in which the general meeting may be transmitted through audio and video channels.

Article 293
(Powers of the general meeting)

(1) The general meeting shall decide on the following matters:
- adoption of the annual report;
- appropriation of distributable profit;
- appointment and discharge of members of the supervisory board and of the board of directors;
- granting a discharge to the members of the management or supervisory bodies;
- amendments to the articles of association;
- measures to increase and reduce share capital;
- winding-up and restructuring of the company;
- appointment of the auditor; and
- other matters if so provided by the articles of association in accordance with the law or other matters provided by the law.

(2) The general meeting shall only have the power to adopt the annual report if the supervisory board, or if the board of directors has not approved the annual report, or if the management board or the supervisory body leave the decision to adopt the annual report to the general meeting, or if so provided by the articles of association of the company that opted for the one-tier management system. In this case, the relevant decisions of the management or supervisory bodies shall be stated in the report submitted to the general meeting by the supervisory board or the board of directors.

(3) When adopting the annual report, the general meeting shall observe the provisions of this Act and the accounting standards referred to in Article 53 of this Act. If the general meeting amends an annual report which needs to be audited in accordance with this Act, the annual report shall be reviewed again by the auditor within two weeks of its adoption by the general meeting.

(4) The general meeting shall decide on the appropriation of distributable profit upon a proposal from the management or supervisory bodies. In its decision on the appropriation of distributable profit, the general meeting shall be bound not by the proposal of the management or supervisory bodies but by the adopted annual report. The resolution on the appropriation of distributable profit shall contain the following data:
   1. the amount of distributable profit;
   2. the amount of distributable profit to be distributed to the Shareholders;
   3. the amount of distributable profit to be allocated to other revenue reserves;
   4. the amount of distributable profit, the use of which will be decided in the subsequent financial years (retained profit brought forward); and
   5. the amount of distributable profit to be used for other purposes set out in the articles of association.

(5) The resolution on appropriation of distributable profit shall not affect the annual report.

(6) The general meeting may not decide on issues concerning the conduct of business unless so requested by the management.

**Article 294**

(Discharge and remuneration policy for members of management and supervisory bodies)

(1) Simultaneously with the decision on appropriation of distributable profit, the general meeting shall also adopt a decision to discharge the management or supervisory board members. The discharge of an individual member shall be voted on separately if so decided by the general meeting or required by Shareholders whose combined interests make up at least one-tenth of the share capital.

(2) By issuing a discharge, the general meeting shall confirm and approve the work of the management or supervisory bodies for the financial year. Claims based on liability for damage may also be pursued against persons discharged by the general meeting.

(3) The discussion on granting discharge of liability shall be linked to the discussion on appropriation of distributable profit. The management shall submit to the general meeting the annual report and the report of the supervisory board or of the board of directors referred in Articles 282 and 285 of this Act. The general meeting at which appropriation of distributable profit and the discharge of liability are decided shall be held within eight months of the end of the financial year.

(4) If no discharge is granted to the management board or any of its members by the general meeting, this shall not imply no confidence.

(5) When the general meeting is deciding on appropriation of distributable profit, the management shall notify the Shareholders of the remuneration received by the members of the management or supervisory bodies for the performance of their duties in the past financial year. The information shall include the remuneration for each member of the management or supervisory body separately and shall be broken down into at least the fixed...
and variable remuneration, sharing in the profit, options and other bonuses, reimbursement of expenses, insurance premiums, commissions and other additional payments. The information shall also include the remuneration received by the members of the management or supervisory bodies for the performance of their duties in subsidiaries. This information shall also be disclosed in the annual report together with the remuneration policy for members of the management or supervisory bodies if so defined by the general meeting.

(6) The general meeting may define a remuneration policy for members of the management or supervisory bodies. Any remuneration paid to the members of the management or supervisory bodies shall be in accordance with such remuneration policy.

(7) In defining the remuneration policy for members of the management board and Executive Directors, the general meeting shall follow the following principles:
   – the remuneration policy for members of the management board and Executive Directors shall foster the long-term sustainability of the company and provide that the remuneration is commensurate with the results and the financial position of the company;
   – total remuneration may be composed of a fixed and a variable part. The variable part of the remuneration shall depend on measurable criteria defined in advance. The general meeting may determine the maximum amount of the variable part of the remuneration;
   – severance pay may be paid only in the case of early termination of a contract. Severance pay shall not be paid if a member of the management board or Executive Director has been discharged for the reasons specified in the first, second and third indents of paragraph (2) of Article 268 of this Act, or if a management board member or Executive Director terminates a contract. The general meeting may determine the maximum severance pay.

Section 2

Calling the general meeting

Article 295
(Calling the general meeting)

(1) A general meeting shall be called in cases determined by the law or by the articles of association, and whenever it is in the interests of the company.

(2) The management shall decide by a simple majority on whether to convene a general meeting.

(3) A general meeting shall be called if Shareholders whose total interest accounts for one-twentieth of the share capital make a written request to the management to convene a general meeting. The request shall be accompanied by an agenda in writing with a proposed resolution for each suggested agenda item to be decided upon by the general meeting or, if the general meeting is not adopting a resolution regarding an agenda item, an explanation of such agenda item. The articles of association may also link the right to request the convening of a general meeting to a smaller interest of the share capital.

(4) Upon the request from the preceding paragraph, the general meeting shall meet as soon as possible but no later than within two months of receipt of the request, or the court may authorise the Shareholders who made the request, or their proxies, to convene the general meeting. The court shall issue its decision without obtaining the statements of the other parties. The notice convening the general meeting shall stress the court's authorisation.

(5) The articles of association may give Shareholders the possibility to send requests from the third paragraph of this Article including by electronic means.

(6) Unless otherwise provided by the articles of association, the general meeting shall be held at the registered office of the company.

Article 296
(Contents and publication of the notice convening the general meeting)
(1) The notice convening the general meeting shall include at least the following information:

– the corporate name and the registered office of the company;
– time and place of the general meeting;
– the proposed agenda;
– the cut-off date as defined by paragraph (3) of Article 297 of this Act together with a notice that the general meeting can only be attended and that the voting rights can only be exercised by Shareholders holding shares on that very day, and other conditions relevant for the participation in the general meeting and the exercise of the voting rights;
– the deadline or the day by which the Shareholders may request an amendment to the agenda in accordance with paragraph (1) of Article 298 of this Act;
– the deadline or the day by which the Shareholders may notify the company of their proposal for publication referred to in paragraph (1) of Article 300 or Article 301 of this Act and the proposal is published;
– the proposed resolutions of the management or supervisory bodies referred to in paragraph (1) of Article 297a of this Act, and where the explanations of these resolutions can be found;
– where and how the full texts of documents and proposals referred to in paragraph (2) of Article 297a of this Act may be obtained;
– that Shareholders may exercise their right to information from paragraph (1) of Article 305 of this Act at the general meeting;
– the process of exercising the right to vote by electronic means if provided by the company in accordance with paragraph (4) of Article 297 of this Act;
– the process of exercising the right to vote by mail if provided by the company in accordance with paragraph 9 of Article 308 of this Act; and
– other information provided by the law.

(2) A company whose shares are traded on a regulated market shall also specify the following information in the notice convening the general meeting:

– the company's website address where the information from paragraph (3) of this Article will be available;
– that exhaustive information on Shareholders' rights from paragraph (1) of Article 298, paragraph (1) of Articles 300, 301 and 305 of this Act is available on the company's website;
– the information on the process of exercising the right to vote by proxy, in particular the information on the forms to be used for this purpose and the manner of notifying the company of the appointment of a proxy by electronic means in accordance with paragraph (7) of Article 308 of this Act;
– the method of communicating additional points of the agenda by electronic means in accordance with paragraph (2) of Article 298 of this Act; and
– the method of communicating proposals by electronic means in accordance with paragraph (2) of Article 300 of this Act.

(3) From date of the publication of the notice convening the general meeting to the date of the general meeting, at least the following information shall be available on the website of the company whose shares are traded on a regulated market:

– the convening of the general meeting;
– the total number of shares and voting rights on the day of convocation of the general meeting, including separate data for each class of shares;
– full texts of documents and proposals from paragraph (2) of Article 297a of this Act;
– the forms used for voting by proxy or by mail or, if these cannot be published on the website for technical reasons, the information on how these forms may be acquired free of charge in physical form upon a Shareholder's request;
– detailed information about the Shareholders' rights referred to in paragraph (1) of Article 298, paragraph (1) of Article 300, Articles 301 and 305 of this Act and
– Shareholders’ proposals referred to in paragraph (1) of Article 298, paragraph (1) of Article 300, and Article 301 of this Act, immediately after receipt thereof.
(4) The notice convening the general meeting shall be published in the Official Gazette of the Republic of Slovenia or in a daily newspaper circulated throughout the territory of the Republic of Slovenia. The notice convening the general meeting shall also be published in the company’s official bulletin or electronic medium, if any. If the company has its own website, the notice convening the general meeting shall also be published on such website.

(5) A company whose shares are traded on a regulated market shall also publish the notice convening the general meeting in the manner defined in the first item of paragraph (1) and paragraph (3) of Article 136 of the Financial Instruments Market Act (Uradni list RS nos. 67/07, 100/07 – amdt. and 69/08).

(6) Notwithstanding paragraph (4) and (5) of this Article, the general meeting of a company whose Shareholders’ names and addresses can be found in the current share register may be convened by registered post sent to these Shareholders unless otherwise provided by the articles of association. In this case, the day on which mail is sent shall be considered the day of publication of the notice convening the general meeting.

(7) The company shall not charge its Shareholders with any costs related to the convocation of the general meeting or the meeting itself.

Article 297
(Period of notice to convene a general meeting and participation)

(1) The notice convening the general meeting shall be published at least 30 days before the general meeting takes place. The articles of association may stipulate a longer period of notice to publish the notice convening the general meeting.

(2) The articles of association may require that the Shareholders notify their participation prior to the general meeting as a condition for participation in the general meeting or exercise of the voting rights. In this case it shall be sufficient that the Shareholders notify their participation no later than at the end of the fourth day prior to the general meeting.

(3) Notwithstanding the provisions of the act governing book-entry Securities, the general meeting may be attended and the voting rights exercised solely by those Shareholders who are registered as holders of shares in the central register of book-entry Securities at the end of the fourth day prior to the general meeting (hereinafter: Cut-off Date).

(4) The articles of association may stipulate that Shareholders can participate in the general meeting or vote prior to the general meeting or at the general meeting via electronic means without being physically present, and regulate the procedure to this effect, whereby the participation and the voting can depend solely on the requirements and limitations required for identification of Shareholders and secure electronic communication, and to an extent commensurate with the implementation of this objective.

(5) The articles of association may authorise the management to regulate in detail the procedure from the preceding paragraph.

Article 297a
(Providing information)

(1) The management or supervisory bodies shall specify resolution proposals in the agenda for each agenda item to be decided upon by the general meeting, and the supervisory board or board of directors shall specify resolution proposals in the agenda concerning the election of members of the supervisory board, the board of directors and auditors, unless the general meeting is not adopting resolutions under individual agenda items, or the agenda item has been put on the agenda on the basis of a minority right referred to in Article 298 of this Act, or the general meeting has been convened on the basis of a minority right referred to in paragraph (3) of Article 295 of this Act.

(2) From date of the publication of the notice convening the general meeting to the date of the general meeting, the management shall allow the Shareholders gratuitous access to the following information at the company’s registered office:
1. the resolution proposals referred to in the preceding paragraph, specifying the company body that submitted the proposal;

2. clarification of individual agenda items, whereby the clarification of agenda items involving the general meeting's resolution on the appointment of members of the supervisory board or board of directors shall include at least the full name, qualification, relevant work experience and the current employer of the proposed member, as well as a clarification of the agenda item involving the general meeting's resolution to appoint an auditor, containing at least the auditor's corporate name, registered office and key references;

3. when the convocation refers to the general meeting from paragraph (3) of Article 294 of this Act: the annual report and the report of the supervisory board or the board of directors from Articles 282 and 285 of this Act and a corporate governance statement unless it has been included in the annual report. Shareholders shall be provided at their request, free of charge, with a copy of reports on the next business day at the latest, unless the reports are published on the company's website;

4. if the general meeting is to decide on the amendment to the articles of association: the text of the proposed amendments;

5. other reports and documents which must be submitted to the general meeting in accordance with law.

(3) Agenda items, including clarifications and proposals referred to in paragraph (1) of Article 298 of this Act and the Shareholders' proposals referred to in Articles 300 and 301 of this Act and their substantiations and other pertaining information, shall be made accessible immediately following their receipt.

**Article 298**

(Expansion of the agenda)

(1) Following the publication of the notice convening the general meeting, Shareholders whose total interest in the company accounts for one-twentieth of the share capital may request in writing that an additional item be placed on the agenda. The request shall be accompanied by a written resolution proposal to be decided upon by the general meeting or, if the general meeting does not adopt a resolution on individual agenda items, a clarification of such items. It shall suffice to send the request to the company no later than within seven days after the publication of the notice convening the general meeting. The articles of association may make this right conditional upon a lower share capital holding.

(2) A company whose shares are traded on a regulated market shall offer its Shareholders at least one method for sending additional agenda items referred to in the preceding paragraph by electronic means.

(3) Immediately upon the expiry of the deadline specified in paragraph (1) of this Article, the management shall publish additional agenda items to be discussed at the general meeting. An additional agenda item may be discussed at the general meeting only if it is published in the manner referred to in Article 296 of this Act at least 14 days prior to the general meeting, otherwise it shall be discussed at the next general meeting.

(4) A company whose shares are traded on a regulated market shall publish a clean copy of the agenda within the deadline specified in the preceding paragraph in the same manner as it published the notice convening the general meeting.

**Article 299**

(Notification of Shareholders and members of the supervisory board)

(1) The management shall notify the financial organisations and associations of Shareholders which exercised their voting rights at the last general meeting of the convocation of the general meeting and of the Shareholders' proposals from Articles 300 and 301 of this Act, the substantiation of the proposal and other related information on the 14th day before the general meeting at the latest. If the agenda has changed in accordance with the preceding Article, the amended agenda shall also be notified. The same shall also apply
(1) Shareholders may propose resolutions in writing for each agenda item. A Shareholders’ proposal shall be published and notified in the manner specified in Article 296 of this Act only if within seven days of the publication of the notice convening the general meeting the Shareholder sends the company a reasonably substantiated proposal, giving notification that he will oppose the proposal made by a management or supervisory body and that he will prevail upon other Shareholders to vote for his counterproposal.

(2) A company whose shares are traded on a regulated market shall offer its Shareholders at least one method for sending proposals referred to in the preceding paragraph by electronic means.

(3) The management shall not be obliged to publish a Shareholder’s proposal and its substantiation:
- if the publication of the proposal would constitute a criminal offence or a minor offence;
- if the proposal would lead to a resolution by the general meeting that would be in conflict with the law or the articles of association;
- if the substantiation of the proposal in essential points contains clearly incorrect or misleading information or insults;
- if a Shareholder’s proposal with the same content has already been reported to the company’s general meeting;
- if during the last five years the same Shareholder’s proposal containing essentially the same substantiation has already been reported to at least two general meetings of the company and less than one-twentieth of the share capital represented at the general meeting voted in favour of it;
- if a Shareholder announces his non-attendance and non-representation in the general meeting; or
- if a Shareholder made or caused no proposal to be made at the general meeting during the past two years.

(4) The substantiation of the proposal need not be published if it contains more than 3000 characters.

(5) The management may publish a summary of the proposals and their substantiations made by several Shareholders on the same subject.

(6) The Shareholders’ proposals which have not been sent to the company by the deadline specified in paragraph (1) of this Article and have been submitted no later than at the general meeting itself shall be discussed at the general meeting.

Article 301
(Voting Proposals by Shareholders)

The Shareholders’ proposals for the election of members of the supervisory board, the board of directors or auditors shall be subject, mutatis mutandis, to the provisions of the preceding Article. Voting proposals need not be substantiated.
Article 302

Section 3

(The minutes and the right to be informed)

Article 303
(List of participants)

(1) At the general meeting, a list of the Shareholders present or represented and of their proxies shall be drawn up, containing the name, surname and address and, for each Shareholder, the number and class of shares held and, in the case of par value shares, also their par value.

(2) If a financial organisation or an association of Shareholders has been authorised to exercise a voting right and the organisation or the association exercises such right on behalf of a person holding this right, the amount and the class of the shares and, in the case of par value shares, also their par value for which authorisation has been obtained.

(3) The amount and class of shares and, in the case of par value shares, including the par value of shares shall be entered separately in the list for the persons authorised by the Shareholders to exercise their voting rights in their own name on the Shareholders' behalf.

(4) The list shall be signed by the Chair and made available for examination by the participants before the voting takes place or the participants shall be allowed to inspect the list made available through electronic media.

Article 304
(The minutes)

(1) Each resolution passed by the general meeting shall be confirmed by a notary in a notary record.

(2) The record shall state the place and date of the meeting, the full name of the Notary Public, the voting result and the Chair's summary of resolutions adopted.

(3) The results of voting at the general meeting of a company whose shares are traded on a regulated market, which are referred to in the preceding paragraph, shall include at least the following information:
   - the number of shares for which votes have been validly cast;
   - the percentage of the share capital;
   - the total number of validly cast votes; and
   - the number of votes cast in favour and against the proposed resolution and the number of abstentions.

(4) The minutes shall be accompanies by a list of participants in the general meeting and the proof of convocation. No proof of convocation shall be necessary if its contents are shown in the minutes.

(5) The management shall send a notarised copy of the minutes and attachments to the register within 24 hours of the general meeting.

(6) A company whose shares are traded on a regulated market shall publish the voting results on its website within two days of the general meeting.

Article 305
(The Shareholders' right to be informed)

(1) At the general meeting, the management shall provide the Shareholders with reliable information on the company’s affairs if this information it is important for the assessment of the agenda. The Information may be provided in a joint answer to the Shareholders'
questions with the same content. The right to be informed shall also apply in respect of the company’s legal and business relations with affiliated companies.

2. The management shall not be required to provide information only in the following cases:
   – if the provision of information could, by reasonable economic judgment, cause damage to the company or its affiliate;
   – if the information refers to the methods of accounting and assessment, provided that the statement of methods of this kind in the annex is sufficient for an assessment of the actual situation of the company in terms of property, financial standing and profitability;
   – if the provision of information would constitute a criminal act, a minor offence or a breach of good business practice; or
   – if the information is published on the company’s website in the form of questions and answers at least seven days before the general meeting.

(3) If a Shareholder receives information outside the general meeting, the same information shall be provided to every other Shareholder at their request, even if it is not required in consideration of an item on the meeting’s agenda.

(4) If a Shareholder does not receive information at the general meeting, he can request that his inquiry or the reason for rejecting the provision of information be included in the minutes of the meeting.

Article 306
(Court decision on the right to be informed)

At the proposal of a Shareholder, the court shall decide whether the management must provide information.

Section 4
The right to vote

Article 307
(Absolute majority rule)

A majority of votes cast by Shareholders (absolute majority) shall be required for a resolution to be adopted by the general meeting unless the law or the articles of association stipulate a larger majority or lay down other requirements.

Article 308
(The right to vote)

(1) Shareholders shall exercise their voting right based on their respective holdings of the share capital. Each no-par value voting share shall carry one vote. The articles of association may provide for restrictions on voting rights so that the number of votes to which individual Shareholders are entitled in accordance with the number of shares held may not exceed a certain number or a certain percentage of votes. The articles of association may determine that shares belonging to another person for the account of a Shareholder shall also be considered as shares held by the Shareholder. If the Shareholder is a company, the articles of association may determine that the shares held by such company shall also include the shares held by its subsidiary, its parent company, an affiliated company or a third person for the account of such companies. Restrictions on voting rights referred to in the third sentence of this paragraph may not be imposed on individual Shareholders. Likewise, such restrictions may not be imposed on the voting rights arising from shares traded on a regulated market.

(2) The voting right shall only be acquired once the entire capital contribution has been paid. The articles of association may determine that a voting right is acquired when the statutory or some higher minimum contribution has been paid. In this case payment of the minimum contribution shall secure one vote. When a higher capital contribution is paid, the voting ratio shall be commensurate with the amount of paid capital contributions.
(3) If the articles of association do not provide that the voting rights shall be acquired before capital contribution has been paid in full and if the capital contribution has not yet been fully paid for any share, the voting ratio shall be commensurate with the amount of paid capital contributions. In this case, the payment of the minimum contribution shall secure one vote. In such cases, portions of votes shall only be taken into account if they give full votes to Shareholders with the right to vote.

(4) The articles of association may not contain provisions referred to in paragraphs (2) and (3) of this Article for individual Shareholders or individual share classes.

(5) Shareholders who have pledged their shares shall exercise their voting rights on the basis of the pledge certificate issued by the pledgee at their request.

(6) Shareholders who are entitled to participate in the general meeting shall have the right to authorise a natural or a legal person with legal capacity to participate in the general meeting on their behalf and exercise their voting rights. Such authorisation shall be given in writing. The authorisation shall be submitted to and stored by the company. A proxy shall enjoy the same rights to speak and ask questions at the general meeting as the Shareholder he represents.

(7) Shareholders of a company whose shares are traded on a regulated market may appoint a proxy in accordance with the preceding paragraph by electronic means. The articles of association shall specify at least one method for using electronic means to transfer such proof of proxy appointment. Shareholders may time revoke their proxy appointment in the same manner at any time.

(8) The method of exercising voting rights shall be regulated by the articles of association.

(9) The articles of association may enable Shareholders to vote by mail before the general meeting. The articles of association shall regulate in detail the voting procedure and make the voting by mail dependent solely on the requirements and limitations relating to the identification of Shareholders and to the extent to which it is commensurate with the implementation of this objective.

Article 308a

(Disclosure of conflict of interest in representation)

(1) Any person who offers an unspecified group of Shareholders to represent them at the general meeting without being authorised by them for the purposes of representation shall disclose to the Shareholders in writing any circumstances which may be of relevance to the Shareholders in their assessment of risks in order for the authorised person to act in an interest other than the interests of the Shareholders (hereinafter: Conflict of Interest).

(2) A Conflict of Interest may primarily arise when the person from the preceding paragraph is any of the following:

– the majority Shareholder of the company or a person controlled by him;
– a member of the management or supervisory body of the company or the majority Shareholder or a person controlled by him;
– an employee or auditor of the company or of the company’s majority Shareholder; or
– an immediate family member of one of the persons referred to in the preceding items.

(3) The following shall be deemed immediate family members of the persons from the preceding paragraph:

– a spouse or a person with whom any of these persons have been living in a long-term relationship that, under the act governing marriage and family relations, has the same legal consequences as marriage, or with whom they live in a registered same-sex civil partnership;
– children and adopted children lacking full contractual capacity; and
– other persons lacking full contractual capacity and are assigned to the custody of the persons from the preceding paragraph.

(4) The person referred to in paragraph (1) of this Article shall send information on Conflicts of Interest or a statement that there is no Conflict of Interest to the Shareholders prior to being granted an authorisation.
(5) Any person referred to in paragraph (1) of this Article not representing more than ten Shareholders at the general meeting and more than one per cent of the share capital shall not be obliged to disclose information under this Article.

Article 309
(Exercise of voting rights through financial and other organisations and other persons)

(1) A financial organisation may only exercise or entrust the exercise of a voting right for registered shares to other persons if it has been granted a proxy in writing.

(2) A proxy may be granted to a financial organisation for a maximum of 15 months and may be revoked at any time.

(3) A financial organisation may only grant a proxy to persons not in its employment if this is expressly permitted by the proxy statement.

(4) If a financial organisation exercises a voting right on behalf of a Shareholder by proxy, the proxy statement shall be submitted to and stored by the company.

(5) A financial organisation shall call upon Shareholders to provide it with instructions for exercising the voting rights and shall advise the Shareholders that their failure to provide instructions for exercising the voting rights would result in their exercise under the financial organisation's own proposals notified to the Shareholders unless it could be presumed that the Shareholders would approve of a different decision if they were aware of the actual state of affairs.

(6) The provisions of the preceding paragraphs shall also apply, mutatis mutandis, to other persons exercising the voting right on behalf of a Shareholder by proxy.

(7) The obligations of financial organisations and of other persons exercising the voting right on behalf of a Shareholder by proxy may not be excluded or limited in advance.

Article 310
(Organised collection of proxies)

(1) Financial organisations, associations of Shareholders and other persons intending to exercise their voting right at the general meeting on the basis of organised collection of proxies shall be duly granted a proxy (proxy).

(2) Any collection of proxies intended for more than 50 Shareholders of a public limited company who are holders of shares carrying voting rights shall be deemed an organised collection of proxies.

(3) A proxy granted to the persons referred to in paragraph (1) of this Article shall only apply for a single general meeting. It shall contain resolution proposals, proxy proposals for voting on individual resolution proposals, a call on the Shareholders to provide instructions on the method of exercising the voting rights and call the Shareholders' attention to the fact that unless otherwise instructed by the shareholders, the voting right will be exercised by the proxy in accordance with the proxy's own proposals which should be explained in the proxy statement, and that such proxy may be revoked by the Shareholders at any time.

(4) The minister responsible for the economy may prescribe a proxy form for voting on individual matters at the general meeting.

(5) Proxies not collected in accordance with the provision of paragraph (1) of this Article and proxies, the content of which is contrary to the provisions of paragraph (3) of this Article shall be void.

(6) A different method of organised collection of proxies for a specific purpose may be determined by a special law.

Article 311
(Exclusion of voting rights)

(1) A Shareholder may not participate in deciding on whether he should be exempted from certain obligations or on whether the company should pursue a claim against him. No other
person may exercise the voting right in cases in which it cannot be exercised by the Shareholder himself under the preceding sentence.

(2) The contract under which a Shareholder undertakes to exercise his voting right in accordance with the instructions received from the company, the management or supervisory body or in accordance with the instructions received from a subsidiary shall be void. The contract under which a Shareholder undertakes to vote for each proposal by the management or by the supervisory board shall also be void.

**Article 312**

(Voting on electoral proposals by Shareholders)

If a Shareholder submits a proposal for the election of members of the management or supervisory board or proposes their election at the general meeting, the decision on his proposal shall be given priority over the decision on the proposal of the management or supervisory board if so required by a minority of Shareholders whose total interest in the company accounts for at least one tenth of the share capital represented.

**Section 5**

Extraordinary resolution

**Article 313**

(Separate meeting and separate vote)

(1) Extraordinary resolutions as prescribed by this Act or the articles of association shall be adopted by a separate vote at either a joint or a separate meeting of Shareholders. The calling and attendance of a separate meeting and the right to be informed shall be subject, mutatis mutandis, to the provisions relating to the general meeting, and extraordinary resolutions shall comply with the provisions on the resolutions of the general meeting.

(2) If Shareholders participating in the vote on an extraordinary resolution require a separate meeting to be convened or the subject of a separate vote to be published, it shall be sufficient that their total interests entitling them to participate in the vote on the extraordinary resolution account for one-tenth of the holdings that permit them to exercise their right to vote on the extraordinary resolution.

**Section 6**

Non-voting shares

**Article 314**

(Non-voting preference shares)

Voting rights may be excluded from shares with pre-emption right in respect of profit distribution (non-voting preference shares).

**Article 315**

(The rights of preference Shareholders)

(1) Non-voting preference shares shall carry all rights that Shareholders derive from their shares except voting rights.

(2) If the preference share amount is not paid within one year or is not paid in full, and the outstanding amount is not paid in the following year, preference Shareholders shall have the right to vote until the outstanding amount has been paid. In this case, preference shares shall be taken into account in calculating the majority shareholding required by law or the articles of association.
Article 316
(Repeal or limitation of preferential rights)

(1) The validity of a resolution to limit or annul the preferential rights shall be subject to the approval of all preference Shareholders.

(2) Priority Shareholders shall also give their consent to a resolution to issue preference shares which have priority over non-voting preference shares or which are on a par with these shares in the distribution of a company's profit or assets. No consent shall be necessary if the shares are issued in order to guarantee preference rights or if the voting right is subsequently excluded, expressly reserved on exclusion and if the registered right of preference Shareholders is not excluded.

(3) Preference Shareholders shall decide whether to grant consent by passing an extraordinary resolution at a separate general meeting. A majority of at least three-quarters of all Shareholders' votes cast shall be required for such resolution to be valid. The articles of association may not stipulate a different majority or lay down other requirements.

(4) If the preferential right of shares is cancelled, the shares shall carry the right to vote.

Article 317
(Non-voting ordinary shares)

The law may determine that ordinary shares shall be issued without voting rights.

Subsection 6
Audit and pursuit of compensation claims

Section 1
Audit aimed at verifying company formation procedures and management of individual operations by companies

Article 318
(Appointment of a special auditor)

(1) The general meeting may appoint a special auditor by a simple majority of votes with a view to verifying the foundation procedures and management of individual operations of a company, including the increase and reduction of share capital during the past five years. The person who has audited the company's annual report for the past five years cannot be appointed special auditor.

(2) If the general meeting rejects the proposal for the appointment of a special auditor, such auditor can be appointed by the court on a proposal filed by Shareholders whose holdings total at least one tenth of the share capital or whose share capital in nominal terms or the Corresponding Amount of share capital amounts to at least EUR 400 000, provided that there is reason to believe that serious fraud or violations of the articles of association or of the law have occurred in the conduct of business and procedures.

(3) The proponents from the preceding paragraph shall deposit their shares with the central clearing and depository corporation unless they have already been deposited or issued in book-entry form and may not dispose of their shares until a decision on the proposal has been issued; otherwise, it shall be deemed that the proposal has been withdrawn. Moreover, they shall be able to prove that they actually held the shares at least three months prior to the general meeting which rejected their proposal.

(4) If the general meeting appoints a special auditor, the court shall appoint another special auditor at the proposal of Shareholders whose holdings total not less than one tenth of the share capital or whose share capital or the Corresponding Amount of share capital amounts to at least EUR 400 000 in nominal terms, provided that reasonable doubt exists as
to impartiality of the special auditor appointed by the general meeting or other well-founded reasons.

(5) Shareholders may submit the proposal referred to in paragraphs (2) and (4) to the court 15 days of the general meeting at which the proposal for the appointment of a special auditor was rejected or a special auditor against which specific reasons for replacement are being put forth was appointed.

(6) The court's decision to appoint a special auditor shall impose an obligation on the company to deposit an advance payment to cover the costs of the special audit. If the company fails to deposit such advance payment, the court shall collect it ex officio. An appeal shall not operate as a stay of execution.

Article 319
(Rights of a special auditor)

(1) The management shall allow the special auditor to review the company's books of account and documents as well as its asset items, particularly its cash department, inventories, Securities, goods and other assets.

(2) The special auditor may request the members of the management or supervisory bodies to provide all explanations and evidence that are necessary for due diligence procedures.

(3) The special auditor shall have the rights referred to in paragraphs (1) and (2) of this Article including in his relations with a group company, which may either be a parent or a subsidiary.

(4) The act governing audits and audit conditions shall apply, *mutatis mutandis*, to the verification of company formation procedures and management of individual operations of a company in respect of the audit procedure and conditions.

Article 320
(Special auditor's report)

(1) The special auditor shall draw up a written report on the audit findings (hereinafter: Special Auditor's Report).

(2) The Special Auditor's Report shall also include the facts the publication of which could cause serious damage to the company or its affiliate, provided that these facts are important for the general meeting to appropriately evaluate the procedures and operations subject to the audit.

(3) The special auditor shall sign the Special Auditor's Report and submit it to the management and the court without delay.

(4) The management shall submit the Special Auditor's Report to the supervisory board of the company and put it on the agenda of the next general meeting.

(5) The management shall publish the special auditor's findings pursuant to Article 185 of this Act. Each Shareholder shall be given a free copy of the Special Auditor's Report upon request on the following business day at the latest.

(6) The provisions of paragraph (3) of Article 57 of this Act shall apply, *mutatis mutandis*, in respect of the damage liability of auditors.

Article 321
(The auditor's right to reimbursement of expenses)

(1) The special auditor shall be entitled to claim reimbursement of expenses and remuneration for his work. Litigation costs related to the appointment of the special auditor and the costs of the special auditor's remuneration shall be borne by the company.

(2) If the special auditor is appointed by the court, the reimbursement of expenses and the remuneration of the special auditor shall be decided by the court.
(3) In the case referred to in the preceding paragraph, the expenses and the remuneration of the special auditor shall be covered by the advance payment. If the advance payment is insufficient to cover the costs and remuneration of the special auditor, the court shall impose on the company the obligation to deposit an additional advance payment. An appeal shall not operate as a stay of execution.

(4) The provisions of the preceding paragraphs shall not exclude the company's right to claim compensation for costs arising from unjustified special audit, in accordance with the general rules on damage liability.

Section 2

Extraordinary audit due to understatement of annual report items

Article 322
(Reasons for extraordinary audit)

(1) If there is reason to believe that:
   1. individual items of financial statements that constitute the adopted annual report are considerably underestimated; or
   2. the notes to financial statements, which are a constituent part of the adopted annual report, do not contain the prescribed notes or that they are incomplete and the management failed to provide the missing notes to the shareholders at the general meeting, although the shareholders requested that such additional notes and their questions should be recorded in the minutes, the court has appointed an extraordinary auditor at the proposal of Shareholders whose holdings total at least one tenth of the share capital or whose share capital in nominal terms or the Corresponding Amount of share capital amounts to at least EUR 400 000.

(2) Asset and liabilities items shall be considered to be understated when they are shown at a lower value in the financial statements and disclosed at a value which is higher than the value at which they should be shown in accordance with the law, the accounting standards, the general accounting assumptions for compiling financial statements and the general principles of valuation of the items shown in these statements, respectively.

(3) The Shareholders referred to in paragraph (1) of this Article shall deposit their shares with the central clearing and depository corporation if they have not yet been deposited or issued in book-entry form and may not dispose of their shares until a decision on the proposal has been issued; otherwise, it shall be deemed that the proposal has been withdrawn. Moreover, they shall be able to prove that they actually held the shares at least three months prior to the general meeting which challenged the validity of the annual report.

(4) Shareholders may submit the proposal from paragraph (1) of this Article to the court within 30 days of the general meeting at which the validity of the annual report was challenged or at which the general meeting took note of the annual report and of the report of the supervisory board which had approved the annual report.

(5) The act governing audits shall apply, mutatis mutandis, to the extraordinary audit in respect of the auditing procedure and conditions.

Article 323
(Appointment of and reimbursement of expenses to extraordinary auditors)

(1) The provisions of paragraph (6) of Article 318 and Article 321 of this Act shall apply, mutatis mutandis, to the appointment of an extraordinary auditor and litigation costs. The person who has audited the company's annual report for the past three years cannot be appointed as a special auditor.

(2) In respect of the obligations of the management or supervisory body and companies in a group towards the extraordinary auditor, the provisions of Article 319 hereof shall apply, mutatis mutandis. The auditor who audits the company's annual report shall have the same obligation towards the external auditor.
Article 324
(Special auditor’s report)

(1) The special auditor shall draw up a written report on the extraordinary audit findings (hereinafter: Extraordinary Audit Report).

(2) If in the course of an extraordinary audit the special auditor finds out that certain items in the financial statements have been considerably overstated or that the provisions on the contents of the annual report have been violated, such Extraordinary Audit Report shall also include such findings.

(3) If, during the audit, the extraordinary auditor finds out that the contested items have been considerably understated, the auditor's report shall provide the following clarifications:
   1. the minimum valuation amount for assets items or the maximum valuation amount for liabilities items;
   2. by what amount would the annual profit increase or the annual loss decrease, by considering the findings referred to in the preceding item.

(4) If, during the audit, the extraordinary auditor finds out that the contested items are not, or at least not considerably, understated, the extraordinary auditor's report shall include a statement that the contested items have not been significantly understated.

(5) If the extraordinary auditor finds out that the notes to financial statements, which are a constituent part of the contested annual report, do not contain the required clarifications or that they are incomplete and that the management has failed to provide the missing clarifications to the Shareholders at the general meeting in spite of the fact that the Shareholders have requested such clarifications and that their queries be recorded in the minutes, the Extraordinary Audit Report shall contain the missing data. If the notes to the financial statements, which are a constituent part of the contested annual report, do not contain the data on evaluation and value adjustment methods that the company should use in accordance with the law, the accounting standards and its internal accounting policies, the explanatory paragraph of the auditor's report shall indicate an identifiable amount by which the annual profit or loss would be higher or lower if appropriate methods had been applied.

(6) If the extraordinary auditor finds out that the notes to financial statements, which are a constituent part of the contested annual report, contain all the required and complete clarifications, the extraordinary auditor's report shall include a statement that the contested annual report contains all required data.

(7) The extraordinary auditor shall sign the Extraordinary Audit Report and submit it to the management and the court without delay.

(8) The management shall submit the Extraordinary Audit Report to the supervisory board of the company and put it on the agenda of the next general meeting.

(9) The management shall publish the extraordinary auditor's findings pursuant to Article 185 of this Act. Each Shareholder shall be given a free copy of the Extraordinary Audit Report upon request on the following business day at the latest.

(10) The provisions of paragraph (3) of Article 57 of this Act shall apply, mutatis mutandis, in respect of the damage liability of extraordinary auditors.

Article 325
(Contesting the findings of the Extraordinary Audit Report)

(1) In the cases referred to in paragraphs (3) or (4) of the preceding article, the company or shareholders whose holdings total at least one tenth of the share capital or whose share capital in nominal terms or the Corresponding Amount of share capital amounts to at least EUR 400,000, may contest the findings of the Extraordinary Audit Report regarding the valuation amount of the contested items before the competent court that appointed the extraordinary auditor.

(2) The shareholders from the preceding paragraph shall deposit their shares with the central clearing and depository corporation unless they have already been deposited or
issued in book-entry form and may not dispose of their shares until a decision on the objection has been issued; otherwise, it shall be deemed that the objection has been withdrawn.

(3) The objection shall indicate the amount at which the items to which the objection relates should be valued in the Extraordinary Audit Report.

(4) The company may also request in its objection that the court establish that the financial statements, which are a constituent part of the contested annual report, include no significantly understated items.

Article 326
(Considering the findings of the Extraordinary Audit Report)

If no objection is filed against the findings of the Extraordinary Audit Report in accordance with the provisions of paragraph (9) of Article 324 hereof within 30 days of publication or if such objection is finally rejected, the management shall take into consideration the findings of the Extraordinary Audit Report and evaluate the account items by using the amounts identified by the Extraordinary Audit Report in the first annual report following such Extraordinary Audit Report or the finality of the decision rejecting such objection.

Section 3
Action for damages

Article 327
(Bringing an action for damages)

(1) A company's management shall bring an action for damages in respect of the damage caused to the company during its formation by its founders or in respect of the damage incurred by the company in the pursuit of its business as a result of the management and supervisory board members' violating their obligations if so decided by the general meeting by simple majority.

(2) If the legal action referred to in the preceding paragraph is to be brought against a person who still performs its duties of a member of a management or a supervisory body during the deliberation on the decision by the general meeting, the general meeting shall appoint a special representative.

(3) The special representative shall represent the company in the proceedings before the court which shall decide on the merits of the claim for damages and in the proceedings concerning the execution of the court ruling by which the merits of such claim were decided.

Article 328
(Bringing an action on behalf of the company at the request of the minority)

(1) If the proposal to bring an action referred to in paragraph (1) of the preceding Article is rejected by the general meeting, or if the general meeting fails to appoint a special representative, or if the management or the special representative fail to act in accordance with the general meeting's resolution referred to in paragraph (1) of the preceding Article, Shareholders whose holdings total at least one tenth of the share capital or whose share capital in nominal terms or the Corresponding Amount of share capital totals at least EUR 400 000 can bring such action on their own behalf and for the account of the company.

(2) Shareholders who bring an action in accordance with the preceding paragraph shall deposit their shares with the central clearing and depository corporation unless they have already been deposited or issued in book-entry form and may not dispose of their shares until a decision on their claim has been made; otherwise, it shall be deemed that they have withdrawn their proposal. Moreover, they shall be able to prove that they actually held the shares at least three months prior to the general meeting which rejected their proposal.
The provisions of paragraph (6) of Article 318 and Article 321 of this Act shall apply, mutatis mutandis, to litigation costs and the appointment of a special representative.

**Section 6**

**AMENDMENTS TO THE ARTICLES OF ASSOCIATION AND INCREASE OR REDUCTION OF SHARE CAPITAL**

**Subsection 1**

Amendments to the articles of association

**Article 329**

*(Resolution of the general meeting)*

(1) Any changes to the Articles of Association shall require the passing of a special resolution by resolution passed by the general meeting. The general meeting may transfer the power to amend the articles of association to the supervisory board or to the board of directors for matters concerning solely bringing the wording of the articles of association into line with duly adopted decisions.

(2) The general meeting's resolutions shall require at least a three quarters majority vote of the share capital represented at the meeting. The articles of association may require a different majority shareholding but not less than a majority of the share capital represented in the voting if at least one half of the share capital is represented in the voting. This shall not apply to a change in the company's activity and cases for which a higher majority of the represented capital is required by the law. The articles of association may also set other requirements.

(3) The validity of a general meeting's resolution referred to in the preceding paragraph, under which the current ratio between several classes of shares is changed to the detriment of a particular class of shares, shall be subject to the consent of the Shareholders of that particular class. The Shareholders concerned shall adopt an extraordinary resolution to grant their consent. The provisions of the preceding paragraph shall apply to the adoption of this resolution.

**Article 330**

*(Transfer of at least 25% of the company's assets)*

(1) Contracts and other business transactions under which a limited liability company undertakes to transfer at least 25% its assets, which does not represent a transfer in accordance with the provisions of the legal form transformation act, shall be subject to a resolution of the general meeting passed with a majority vote specified in paragraph (2) of Article 329 of this Act. This restriction shall have no legal effect against third parties.

(2) The contract shall be made available for inspection by the Shareholders at the registered office of the company at least one month before the general meeting that will decide on consent on the transfer of the company's assets. Each Shareholder shall be given a free copy of the contract upon request on the following business day at the latest.

(3) The contract by which the company undertakes to transfer at least 25% of its assets shall be submitted at the general meeting. At the beginning of the discussion at the general meeting, the company's management shall give an oral explanation of the contents of the contract. The contract shall be attached as a supplement to the minutes.

(4) If the company is dissolved as a result of the transfer of at least 25% of its assets, the original contract or a notarised copy thereof shall be attached to the proposal for its dissolution.

**Article 331**
(Shareholders' consent)

(1) The validity of the resolution imposing additional obligations on Shareholders in accordance with this Act and the articles of association shall require the consent of all Shareholders concerned.

(2) The provision of the preceding paragraph shall also apply to a resolution which requires the company's consent for the transfer of registered shares or Interim Certificates.

Article 332
(Registration of the amendment to the articles of association)

(1) The management shall notify an amendment to the articles of association for entry in the register. The notification shall be accompanied by a copy consolidated text of the articles of association, to which a notarial certificate verifying that the amended provisions in the articles of association conform with the resolution to amendment the articles of association. If the amendment to the articles of association requires the permission of a state authority, such permission shall also be attached to the notification.

(2) If the amendment does not relate to the data specified in Article 201 of this Act, it shall be sufficient to refer, at the time of registration, to the documents submitted to the registration authority. If the amendment concerns provisions whose content should be published, the content of the amendment shall also be published.

(3) An amendment to the articles of association shall come into force on the day on which it is entered in the register.

Subsection 2

Measures for increasing the share capital

Section 1

Increase of the share capital through contributions

Article 333
(Terms and conditions)

(1) A decision to increase share capital through contributions shall be taken with the affirmative vote of at least a three quarters majority of the share capital represented at the meeting, unless the articles of association stipulate a different majority shareholding; however, not less than a majority of the share capital represented at the meeting. The articles of association may only stipulate a larger majority shareholding and additional requirements for the issue of non-voting preference shares.

(2) The subscribed capital may only be increased through the issue of new shares. In companies with no-par value shares, the total number of shares shall be increased in the same proportion as share capital.

(3) If there is more than one class of shares, the approval of each share class shall be required for a general meeting's resolution to be valid. Shareholders of each share class shall pass an extraordinary resolution giving their approval in accordance with the provisions of paragraph (1) of this Article.

(4) If the Issue Price of the shares is higher than the minimum Issue Price, the resolution to increase share capital shall establish the minimum amount to be paid on the purchase of shares.

(5) No increase of the share capital shall be carried out until the existing contributions have been paid up in full unless only an insignificant sum remains unpaid.

Article 334
(Increase of the share capital through non-cash contributions)
In the case of increase of the share capital by non-cash contributions, the resolution to increase the share capital shall determine the object of contribution, the person from whom the company shall acquire the object of contribution, the number of shares and, in the case of par-value shares, also the par value of shares to be provided for a non-cash contribution. A resolution to this effect may only be adopted if the acceptance of a non-cash contribution and the details referred to in the first sentence of this Article are published in accordance with paragraph (1) of Article 298 of this Act.

(2) Unless otherwise provided by Article 345a of this Act, the increase of the share capital by non-cash contributions shall be examined by one or more auditors, subject to the application, mutatis mutandis, of the provisions of Articles 194 and 195 to 197 of this Act.

(3) The registration authority may refuse to enter the increase of the share capital in the register if the amount of non-cash contribution is significantly lower than the minimum Issue Price of the shares that should be provided for such non-cash contribution.

Article 334a

(Increase of the share capital by non-cash contributions without audit)

(1) The increase of the share capital by non-cash contributions which does not require an audit shall be subject, mutatis mutandis, to the provisions of paragraphs (1) to (4) and the first to third sentences of paragraph (5) of Article 194a of this Act. In this context:

1. The term "formation auditor" or "formation auditors" shall be replaced by the term "auditor" or "auditors";
2. The term "formation" shall be replaced by the term "increase of the share capital by non-cash contributions";
3. The term "articles of association" shall be replaced by the term "resolution on the increase of initial capital";
4. The term "formation audit" shall be replaced by the term "audit";
5. The average price weighted average shall be determined for at least a six-month period ending two months before the date of adoption of the resolution on the increase of the share capital.

(2) The agenda of the general meeting shall include a notice that the share capital need not be audited. The management and supervisory bodies shall indicate proposals for resolutions in the agenda of the general meeting; in addition to the information specified in paragraph (1) of the preceding paragraph, the decision on the increase of the share capital shall also determine that the share capital increase need not be audited.

(3) The acquisition of the subject of non-cash contribution shall be valid if it is delivered to the company before the fifth business day from the date of the resolution to increase the share capital.

(4) When in the case referred to in paragraph (1) of this Article, in connection with the second or third indents of paragraph (1) of Article 194a of this Act, one or more auditors fail to perform an audit of the share capital increase by non-cash contributions notwithstanding the occurrence of new circumstances referred to in paragraph (5) of Article 194a of this Act, the court shall appoint an auditor to review the share capital increase by non-cash contributions on the proposal of Shareholders whose total holdings account for at least one twentieth of the share capital on the date of the resolution on the increase of the share capital. The Shareholders referred to in the preceding paragraph may file their proposal before the delivery of the subject of non-cash contribution. The Shareholders shall place their shares in the custody of the Central Clearing and Depository Corporation unless the shares have already been deposited or issued in dematerialised form and may not freely dispose of the shares before filing a proposal. If the share capital increase by non-cash contribution is reviewed by an auditor, the statement specified in paragraph (4) of Article 194a shall not be submitted to the registration authority and published.

Article 335
(Notification of the decision for entry in the register)

(1) The management and the president of the supervisory board shall notify the resolution on the share capital increase for registration. The notification shall be accompanied by the following:

– a report on the audit of non-cash contributions if the share capital increase has been audited by one or more auditors;

– in the case referred to in paragraph (1) of the preceding paragraph, in connection with the first indent of paragraph (1) of Article 194a of this Act, a certificate of price-weighted average specified in paragraph (2) of Article 194a of this Act;

(2) The notification shall indicate the unpaid contributions to the existing share capital and the reason for non-payment.

Article 336
(Subscription for new shares)

(1) New shares shall be subscribed by lodging a written statement (hereinafter: Subscription Share Certificate) evidencing their number and, in par value shares, also their face value. If several share classes are issued the share class shall also be shown. The Subscription Share Certificate shall be issued in duplicate. It shall contain the following information:

– the date on which the resolution on the increase of the share capital is passed;

– the Issue Price of shares, the amount of payments and any additional obligations;

– the information from paragraph (1) of Article 334 of this Act and, where more than one share class is issued, the Corresponding Amount of the share capital; and

– the point in time when the subscription becomes non-binding unless the increase in the share capital had been registered by that time.

(2) The Subscription Share Certificates lacking the full information specified in the preceding paragraph shall be void.

(3) A restriction not indicated in the Subscription Share Certificate shall be void against the company.

Article 337
(Pre-emption right to new shares)

(1) The existing Shareholders shall have a pre-emption right to subscribe for new shares in proportion to their shareholdings. This right may be exercised within no less than 14 days.

(2) The management shall publicly announce the Issue Price of the new shares and the time limit referred to in the preceding paragraph.

(3) The pre-emption right may only be excluded in part or in full by a resolution on the increase of the share capital. In this case, in addition to legal or statutory requirements of a capital increase, the resolution shall require at least a three-quarter majority of the share capital represented at the meeting. The articles of association may also lay down a larger majority shareholding and other requirements.

(4) A resolution fully or partially excluding the pre-emption right may only be adopted if the exclusion is publicly announced in accordance with paragraph (1) of Article 298 of this Act. The management shall submit a written report to the general meeting on the well-founded reasons for a full or partial exclusion of the pre-emption right. The report shall also justify the proposed Issue Price of shares.

(5) If the new shares are accepted by a financial organisation which undertakes to offer them for sale to Shareholders, it shall not be considered as an exclusion of the pre-emption right. The management shall publicly announce the financial organisation's offer in the company's newsletter or electronic media, including the amount of payment for the shares and the time limit for acceptance of the bid. The same shall apply if the shares are acquired by some other person with the obligation to offer them to Shareholders.
Article 338  
(Securing of options and other entitlements to subscribe for new shares)  

(1) Options and other entitlements to subscribe for new shares shall take account of the provisions of this Act concerning the pre-emption right of Shareholders to new shares.  
(2) If options or other entitlements to subscribe for new shares are provided before adopting an appropriate resolution to increase the share capital, the provision of such entitlements shall have no legal effect against the company.  

Article 339  
(Notification and registration of an increase of the share capital)  

(1) The management and the president of the supervisory board shall notify the implementation of the share capital increase for registration.  
(2) The provisions of paragraph (1) of Article 199 of this Act shall apply, mutatis mutandis, to the notification for registration.  
(3) The notification shall be accompanied by:  
   - duplicates of Subscription Share Certificates and a list of subscribers signed by the management, indicating the shares of and payments made by each subscriber;  
   - if capital is increased by non-cash contributions:  
     1. Contracts as the basis for the data referred to in Article 334 of this Act or contracts made for the implementation of such data;  
     2. In the cases referred to in paragraph (1) of Article 334 in connection with paragraph (1) of Article 194a of this Act, a statement by the management and supervisory bodies that the Shareholders from paragraph (4) of Article 334a of this Act did not propose the appointment of the auditor;  
   - a statement of costs which will be incurred by the company with the issue of new shares; and  
   - approval by a state authority where this is necessary for an increase of the share capital.  
(4) The originals or certified copies of the submitted documents shall be kept by the registration authority.  

Article 340  
(Effective date of share capital increase)  

The increase of the share capital shall become effective on the date of registration.  

Article 341  
/Publication/)  

In addition to the concept of the increase in share capital, the announcement of the share capital increase shall also include the issue price of shares, the data required for increasing the share capital through non-cash contributions, and a report on the audit of non-cash contributions if necessary. In the publication of this information, the reference to the documents submitted to the registration authority shall suffice.  

Article 342  
/Prohibition to issue shares and Interim Certificates/)
Prior to the registration of the share capital increase, no rights to new shareholdings may be transferred and no new shares and/or Interim Certificates may be issued. The shares and Interim Certificates issued before such registration shall be void. Liability for the losses suffered by holders of shares and Interim Certificates issued in this way shall be assumed by the issuers as joint and several debtors.

Section 2

Conditional increase of share capital

Article 343

(Conditions)

(1) The general meeting may decide to conditionally increase the share capital only for the following reasons:

– the exercise of the rights of holders of convertible bonds to exchange such bonds for shares or to exercise their pre-emptive rights to purchase new shares;

– preparation for the merger of several companies or payment of a consideration to shareholders in connection with changes in the legal form of companies if, according to this Act, consideration may be provided in shares; and

– the exercise of the rights by a company’s employees to receive new shares in exchange for their receivables from the participation in profits granted to them by the company, and the provision of entitlements to share purchase options granted by the company to the members of the management and supervisory bodies, employees or an affiliated company.

(2) The minimum issue price of shares issued in the procedure of the conditional share capital increase shall not exceed one half of the share capital existing during the deliberation on a conditional share capital increase.

(3) Resolutions of the general meeting passed in violation of the preceding paragraphs shall be void.

(4) The provisions of this Act concerning the exercise of the pre-emptive right to purchase new shares shall also apply, mutatis mutandis, to convertible bonds.

Article 344

(Validity of resolutions)

(1) The validity of the resolutions on a conditional increase in the share capital shall require the majority of at least three quarters of the share capital represented at the general meeting. A larger majority shareholding and other requirements as well as the approval referred to in Article 333 of this Act may be stipulated by the articles of association.

(2) The resolution shall also determine:

– the purpose of the share capital increase;

– the entitled persons; and

– the issue price or the criteria according to which this issue price is to be calculated.

Article 345

(Conditional increase of share capital by non-cash contributions)
(1) The resolution on a conditional share capital increase shall define the subject of non-cash contributions, the persons from whom the company obtains the subject of non-cash contributions, the number of shares, and, for nominal value shares, the nominal amount of shares provided for non-cash contributions. The resolution shall only be passed if the acquisition of a non-cash contribution has been published in accordance with Article 296 and paragraph (3) of Article 298 of this Act.

(2) The employees' receivables from the participation in profits granted to them by the company and the delivery of convertible bonds in exchange for shares shall not be deemed non-cash contributions.

(3) Unless otherwise provided by Article 345a of this Act, the increase in the share capital by non-cash contributions shall be examined by one or more auditors, subject to the application, *mutatis mutandis*, of the provisions of Articles 194 and 195 to 197 of this Act.

(4) The registration authority may reject the registration request if the non-cash contribution is significantly lower than the issue price of shares to be provided.

**Article 345a**

*(Conditional increase of share capital by non-cash contributions without audit)*

A conditional increase in the share capital by non-cash contributions that need not be audited shall be subject, *mutatis mutandis*, to the provisions of Article 334a of this Act.

**Article 346**

*(Notification of the resolution)*

(1) The management and the president of the supervisory board shall notify the resolution to increase the share capital for registration.

(2) The notification shall be accompanied by the following:

– if the share capital is increased by non-cash contributions;

1. the contracts made for the acquisition of non-cash contributions;

2. In the case referred to in paragraph (1) of the preceding paragraph in connection with the first indent of paragraph (1) of Article 194a of this Act, a certificate of the single price weighted average specified in paragraph (2) of Article 194a of this Act;

3. In the cases referred to in paragraph (1) of the preceding Article in connection with paragraph (1) of Article 194a of this Act, a statement by the management and supervisory bodies that the shareholders from paragraph (4) of Article 345a of this Act have not proposed the appointment of an auditor;

4. the auditor's report if the auditor reviewed the increase of the share capital;

– a statement of expenses to be incurred by the company in connection with the issue of shares; and

– the permission by a state authority when it is required for an increase in the share capital.

(3) The original documents or certified copies thereof submitted shall be kept by the registration authority.

**Article 347**
(Publication of the registration)

The publication of the resolution to increase the share capital shall include the contents of the resolution as well as the information referred to in paragraph (2) of Article 344 of this Act, and in Article 345 of this Act for the purpose of acquisition of a non-cash contribution, and a notification of completion of the audit of non-cash contributions if necessary. For the purpose of the information referred to in Article 345 of this Act, reference to the documents submitted to the registration authority shall suffice.

Article 348

(Prohibition to issue shares)

No shares shall be issued and the beneficiaries may not exercise their pre-emptive rights to buy new shares until the resolution on a conditional increase of the share capital has been registered. The shares issued before such registration shall be void. Liability for the loss suffered by holders of shares and Interim Certificates issued in this way shall be assumed by the issuers as joint and several debtors.

Article 349

(Statement of exercise of pre-emptive rights)

(1) Pre-emptive rights shall be exercised by means of a written statement made in duplicate. The statement shall include the number shares, and for nominal value shares their nominal amount and, if there is more than one share class, also the class of shares, the information referred to in paragraph (2) of Article 344 of this Act in the case of receipt of a non-cash contribution referred to in Article 345 of this Act, and the date of adoption of the resolution on a conditional increase in the share capital.

(2) The statement referred to in the preceding paragraph shall have the same effect as a written statement. The statements whose contents do not conform to the requirements of the preceding paragraph or contain restrictions on the beneficiaries' liabilities shall be void.

(3) Any restriction not indicated in the statement shall have no effect for the company.

Article 350

(Issuance of shares)

(1) Taking account of the provisions of paragraph (2) of Article 333 of this Act, the management may issue shares solely for the purpose specified in the resolution to increase the share capital and only after the shares have been paid in full.

(2) The management may issue shares in exchange for convertible bonds only provided that the difference between the issue price of bonds intended to be converted and the higher minimum issue price of shares to be provided is offset by other revenue reserves that may be used for this purpose, or provided that additional payment is made by a holder of convertible bonds.

Article 351

(Effective date of a conditional share capital increase)

The share capital shall be deemed to be increased on the date of issue of shares.

Article 352

(Notification of issuance of shares)
(1) The management shall notify the total amount of the conditionally increased share capital for registration within one month of the expiry of the financial year.

(2) The application shall be accompanied by copies of certificates of registration and lists of persons having exercised their pre-emptive right or the right to convert bonds. The list shall be signed by the management and shall indicate the shares belonging to each shareholder and the payments of corresponding contributions.

(3) The application shall include the management's statement that the shares have been issued solely for the purpose specified in the resolution on a conditional increase in the share capital and not before the shares have been paid in full.

(4) The original documents or certified copies thereof submitted shall be kept by the registration authority.

Section 3

Authorised capital

Article 353
(Terms and conditions)

(1) The articles of association may give the management the authority to increase the share capital up to a certain amount (authorised capital) by issuing new shares for capital contributions for a period of maximum five years of the company's legal registration.

(2) This authority may also be conferred by amending the articles of association for a period of maximum five years from the date of registration of the amendments to the articles of association. The validity of the resolution shall require a majority of at least three quarters of the share capital represented at the general meeting. A larger majority shareholding and other requirements as well as the approval referred to in Article 333 of this Act may be stipulated by the articles of association.

(3) The amount of authorised capital shall not exceed one half of the share capital available at the time the authority is granted. New shares shall only be issued subject to the consent of the supervisory board.

(4) The articles of association may determine that new shares be issued to the company's employees.

Article 354
(Issuance of new shares)

(1) Unless otherwise provided by this Act, the provisions of paragraph (2) of Article 333 and Articles 336 to 342 of this Act shall apply, mutatis mutandis, to the issuance of new shares. New shares shall be issued on the basis of an authorisation without an extraordinary resolution of the general meeting being passed.

(2) The authorisation may stipulate that the management shall decide on the exclusion of the pre-emptive right to new shares. If such authorisation is conferred by making amendments to the articles of association, the provisions of paragraph (4) of Article 337 of this Act shall apply, mutatis mutandis.

(3) No new shares shall be issued until the outstanding capital contributions have been paid. If the outstanding capital contributions are relatively few, new shares may nevertheless
be issued. The notification of increase of the share capital shall indicate the still outstanding capital contributions and the reasons for it.

(4) The provisions of the preceding paragraphs shall not apply to the issue of shares to a company's employees.

Article 355

(Conditions for issuing shares)

(1) The content of the rights derived from shares and the conditions for issuing shares shall be decided by the management, subject to the consent of the supervisory board. The consent of the supervisory board shall also be required for the management's decision referred to in paragraph (2) of the preceding Article concerning the exclusion of the pre-emptive right to new shares.

(2) In the case that there are non-voting preference shares, the preference shares that have priority over such shares or are given equal treatment in the distribution of the company's profits or assets shall be issued only if so stipulated by the authorisation.

Article 356

(Issuance of shares for non-cash contributions)

(1) Shares may be issued for non-cash contributions only if so provided by the authorisation and provided that the management obtains the consent from the supervisory board.

(2) The management shall define the subject of the non-cash contribution, the person from whom the subject of the non-cash contribution is obtained, the number of shares and, for nominal value shares, also the nominal amount of the shares to be provided for such contribution unless it has already been stipulated by the authorisation. All the data shall be entered in the certificate of registration.

(3) Unless otherwise provided by Article 356a of this Act, the issue of shares for non-cash contributions shall be examined by one or more auditors, subject to the application, mutatis mutandis, of the provisions of Articles 194 and 195 to 197 of this Act.

(4) The registration authority may reject the registration request if the non-cash contribution is significantly lower than the issue price of shares to be provided.

(5) The provisions of paragraphs (2) and (3) of this Article shall not be applied to the receivables of the company's employees from their participation in profits granted to them by the company.

Article 356a

(Issuance of shares for non-cash contributions without audit)

(1) The issue of shares non-cash contributions that does not require an audit shall be subject, mutatis mutandis, to the provisions of paragraphs (1) to (4) and to the first to third sentences of paragraph (5) of Article 194a of this Act. In this case:

1. the term ‘formation auditor’ or ‘formation auditors’ shall be replaced by the term ‘auditor’ or ‘auditors’;

2. the term ‘formation’ shall be replaced by the term ‘issue of shares for non-cash contributions’;
3. the term 'articles of association' shall be replaced by the term 'resolution to issue shares';

4. the term 'formation audit' shall be replaced by the term 'audit'; and

5. the application of the provisions of paragraph (4) of Article 194a of this Act, *mutatis mutandis*, shall take into consideration paragraph (4) of this Article.

(2) In the case referred to in paragraph (2) of Article 353 of this Act, the agenda of the general meeting shall include a notice that the issue of shares for non-cash contributions need not be audited. The management and supervisory bodies shall indicate the proposals for resolutions in the agenda of the general meeting.

(3) The power of attorney shall determine that the auditor need not examine the issue of shares.

(4) Members of management or supervisory bodies shall publish an announcement detailing the date of issue of shares and the data referred to in paragraph (1) of this Article in connection with the first to fourth items of paragraph (4) of Article 194a of this Act in Uradni list Republike Slovenije (Official Gazette of the Republic of Slovenia) and in the company's bulletin or electronic media at least five business days before the date of delivery of the subject of non-cash contribution. Members of management or supervisory bodies shall, within one month of delivery of the subject of non-cash contribution, submit to the registration authority, in the manner specified in the preceding paragraph, a statement that no new circumstances have arisen since the publication of the announcement from the preceding paragraph in connection with the first or the second sentence of paragraph (5) of Article 194a of this Act.

(5) When, in the case referred to in paragraph (1) of this Article in connection with the second or third indents of paragraph (1) of Article 194a of this Act, one or more auditors fail to perform an audit of the issue of shares for non-cash contributions, notwithstanding the occurrence of new circumstances referred to in paragraph (1) of this Article, in connection with the first or second sentence of paragraph (5) of Article 194a of this Act, the court shall appoint an auditor to review the issue of shares for non-cash contributions on the proposal of shareholders whose total holdings account for at least one twentieth of initial capital on the date of the decision to issue shares. The shareholders may file their proposal before delivery of the subject of non-cash contribution. The shareholders shall place their shares in the custody of the Central Clearing and Depositary Corporation, unless the shares have already been deposited or issued in dematerialised form, and may not freely dispose of the shares before filing a proposal. If the auditor examines the issue of shares for non-cash contributions, the statement referred to in the second sentence of the preceding paragraph shall not be submitted to the registration authority and shall not be published.

Article 357

*(Contract for non-cash contribution prior to the registration of the company)*

If, prior to the registration of the company, contracts have been entered into for the payment of a non-cash contribution to the company's authorised capital, the articles of association shall include the provisions for the acceptance of non-cash contributions. The acceptance of non-cash contributions shall be subject to the application, *mutatis mutandis*, of paragraphs (3) and (5) of Article 187, Articles 193 to 197, and Articles 199 and 200 of this Act.

Section 4

*Increase of the share capital from the company's own funds*
Article 358
(Terms and conditions)

(1) The general meeting may decide to increase the share capital by converting other equity items into the share capital.

(2) The provisions of paragraph (1) of Article 333 and paragraph (1) of Article 335 of this Act shall apply, mutatis mutandis, to the resolution and to the notification of the resolution. Companies with no par value shares may also increase their share capital without issuing new shares. In this case, the resolution to increase their share capital shall indicate the method of such increase.

(3) The general meeting may decide to increase the share capital only after the adoption of the annual report for the last financial year ending before making the decision to increase the share capital.

Article 359
(Reserves and profits that can be converted into share capital)

(1) The following equity items may be converted into the share capital and to the following extent:

1. capital reserves referred to in points 4, 5 and 6 of paragraph (1) of Article 64 of this Act;

2. capital reserves referred to in points 1 to 3 of paragraph (1) of Article 64 of this Act in an amount exceeding the proportion of the share capital referred to in paragraph (3) of Article 64 of this Act before the increase;

3. statutory reserves if the articles of association stipulate that they may be used for this purpose;

4. other revenue reserves;

5. retained earnings.

(2) Equity items converted into the share capital shall be shown in the latest annual or interim balance sheet. The interim balance sheet referred to in the preceding paragraph shall be prepared in accordance with the provisions of this Act concerning the preparation of the balance sheet.

(3) Conversion of other equity items into the share capital shall not be allowed if the balance sheet that serves as the basis for conversions shows retained profit or loss for the financial year.

Article 360
(The balance sheet as the basis for share capital increase)

(1) The resolution to increase the share capital shall be based on the balance sheet that is referred to in paragraph (2) of the preceding Article, and whose cut-off date is no more than eight months before the date of the proposed registration of the share capital increase. This balance sheet shall be audited and shall receive an unqualified auditor’s opinion.

(2) If no other auditor is appointed by the general meeting, the audit shall be performed by the auditor appointed to audit the previous annual accounts by the general meeting or by the court.
Article 361

(Notification and registration of resolutions)

(1) The notification of the resolution for registration shall be accompanied by the balance sheet on the basis of which the share capital is increased, the unqualified auditor's opinion and the latest annual report, unless it has already been submitted. The notifiers shall submit to the certifying authority a statement that no reduction in the company's assets that could impede the increase in the share capital occurred until the date of notification, if the share capital increase was to be decided on the date of notification.

(2) The registration authority shall enter the resolution to increase the share capital in the register provided that the conditions referred to in paragraph (1) of the preceding Article are met.

(3) The entry of the resolution into the register shall specify the increase of the share capital from the company's assets as the subject of registration.

Article 362

(Effective date of share capital increase)

(1) An increase in the share capital shall become effective on the registration of the resolution to increase the share capital.

(2) When the resolution referred to in the preceding paragraph has been registered, the new shares shall be considered to have been paid in full.

Article 363

(Beneficiaries of the share capital increase)

The shareholders shall be entitled to new shares in proportion to their stakes in the company's existing share capital. Any other resolution by the general meeting shall be void.

Article 364

(Partial rights)

(1) If only a fraction of the new share accounts for the existing capital contribution in the increase of the share capital, such partial rights can be transferred and inherited independently.

(2) The rights derived from a new share, including the request for issuance of a share certificate, shall only be exercised if the partial rights that jointly form an integral right are concentrated in a single shareholder or if several beneficiaries whose partial rights jointly form a full share join their efforts.

Article 365

(Invitation to shareholders)

(1) After the registration of the resolution to increase the share capital by issuing new shares, the management shall invite the shareholders forthwith to take over the new shares. The invitation shall include:

- the amount of share capital increase; and

- the ratio between the new and old shares.
The invitation shall also include a notice that the company shall be entitled to sell the shares that the shareholders fail to take over one year after the publication of the invitation for the account of the shareholders.

(2) At the expiry of one year after the publication of the invitation, the company shall publicly announce the sale of unclaimed shares. This announcement shall be published three times at intervals of at least one month. The last announcement shall be published 18 months before publishing the invitation.

(3) At the expiry of one year after the last publication of the announcement, the company shall sell the unclaimed shares for shareholders' account at the official stock exchange price through a stockbroker or by public auction in the absence of a stock exchange price. The sale by public auction shall be carried out in accordance with the provisions, \textit{mutatis mutandis}, of paragraph (4) of Article 376 of this Act.

(4) The provisions of this Article shall be applied, \textit{mutatis mutandis}, to the companies that failed to issue share certificates. Shareholders shall be invited by their companies to take over new shares.

\textbf{Article 366}

(Own shares and partly paid shares)

(1) Own shares shall participate in the increase of share capital.

(2) Partly paid shares shall participate in the increase of share capital in proportion to their share in the share capital; the increase shall not be carried out by issuing new shares.

(3) For partly paid nominal value shares, an increase in the share capital shall be carried out by increasing the nominal value of shares. When there are fully paid shares in addition to the partly paid ones, the share capital increase for fully paid shares may be carried out by increasing the nominal value of shares or by issuing new shares; in this case, the resolution to increase the share capital shall define the method of such increase. If the share capital is increased by increasing the nominal amount of shares, the increase shall be carried out so that no nominal value share shall be affected by the amounts that cannot be offset by such an increase.

\textbf{Article 367}

(Protection of the rights of shareholders and third parties)

(1) Share ownership rights shall not change due to the increase in the share capital.

(2) If individual rights derived from partly paid shares are determined according to the capital contribution paid per share, such rights shall be enjoyed by the shareholders until the payment of outstanding contributions depending on the amount of the contribution paid plus the percentage of the share capital increase; these rights will increase in proportion to any subsequent payments.

\textbf{Article 368}

(Beginning of the entitlement to participate in the profits)

(1) Unless otherwise provided herein, new shares shall participate in the profits for the financial year in which the resolution to increase the share capital is adopted.

(2) The resolution to increase the share capital may determine that new shares may participate in the profits for the financial year preceding the resolution to increase the share
capital. In this case, the resolution to increase the share capital shall be adopted before the adoption of the resolution on the appropriation of the profits for the financial year preceding the resolution to increase the share capital. The resolution on the appropriation of profits shall come into effect after the increase in the share capital has been carried out. The resolution to increase the share capital and the resolution on the appropriation of profits shall be void if the resolution to increase the share capital is not registered within three months of its adoption. This deadline shall be suspended as long as there is a challenging or nullity action pending, or until an authorisation for the increase in share capital has been issued by a competent state authority, if necessary.

Article 369
(Conditional capital)

Conditional capital shall be increased in the same proportion as share capital. If the decision on conditional capital has been adopted in order to ensure rights to the holders of convertible bonds, other revenue reserves need to be created in order to offset the difference between the total issue price of bonds and a higher minimum issue price of shares to be provided, unless it has been agreed that the difference will be covered by the persons entitled to conversion.

Article 370
(Prohibition to issue shares and Interim Certificates)

New shares and Interim Certificates may not be issued prior to the registration of the increase in the share capital.

Section 5
Convertible bonds and dividend bonds

Article 371
(Types of bonds and their issue)

(1) The bonds that give holders the right to convert them into shares (convertible bonds) or the pre-emptive rights to buy shares and the bonds that link the bondholders' rights to shareholders' dividends (dividend bonds) may only be issued on the basis of a resolution of the general meeting. The validity of the resolution shall require the majority of at least three quarters of the share capital represented at the general meeting. A larger majority shareholding and other requirements as well as the approval referred to in Article 333 of this Act may be stipulated by the articles of association.

(2) The authorisation to issue convertible bonds may be granted to the management for a maximum of five years. The management and the president of the supervisory board shall make an application to register the resolution to issue convertible bonds and the statement of issue such bonds. The resolution and the statement on the issue of bonds shall be publicly announced.

(3) The provisions of paragraph (1) of this Article shall apply, mutatis mutandis, to the provision of special rights to share in profits.

(4) A company's shareholders shall have the pre-emptive right to buy the shares referred to in paragraph (1) of this Article, subject to the application, mutatis mutandis, of the provisions of Article 337 of this Act.
Measures for reducing share capital

Section 1

Ordinary reduction of share capital

Article 372

(Terms and conditions)

(1) The validity of the resolutions to reduce share capital shall require a majority of at least three quarters of the share capital represented at the general meeting. A larger majority shareholding and other requirements may be stipulated by the articles of association.

(2) In the case of multiple classes of shares, the validity of the general meeting's resolution shall be subject to the approval of the holders of each class of shares. The holders of each class of shares shall adopt an extraordinary resolution on such approval in accordance with the preceding paragraph.

(3) For partly paid nominal value shares, a reduction in the share capital shall be carried out for partly paid nominal value shares by reducing the nominal value of shares.

(4) If, after the share capital reduction, the minimum issue price of shares remains lower than the amount referred to in paragraph (2) or (3) of Article 172 of this Act, the share capital shall be reduced by pooling of shares.

(5) The resolution shall indicate the reason and the manner of share capital reduction.

Article 373

(Notification of the resolution)

(1) The management and the president of the supervisory board shall notify the resolution to reduce the share capital increase for registration.

Article 374

(Effective date of share capital reduction)

A reduction in the share capital shall become effective on the registration of the resolution to reduce the share capital. The resolution shall be published.

Article 375

(Protection of creditors)

(1) Creditors whose claims arise prior to the publication of the registration of the resolution to reduce share capital shall be provided with collateral if they lodge their claims within six months of the announcement, and cannot be expected to receive payment. The creditors' attention shall be called to the existence of this right in the announcement of the registration. Creditors who are entitled to priority payment in the case of bankruptcy proceedings shall not be entitled to request collateral.

(2) Payments to shareholders shall be made on the basis of the reduction in the share capital only after the expiry of a period of six months from the date of registration and after the creditors who lodged their claims on time have received repayment or collateral.

(3) Creditors may also request collateral if no payment is made to shareholders.
(4) Creditors having overdue claims against the company, and creditors who should be granted collateral under this Article may object to the registration of the resolution to reduce share capital, including for a violation of the provisions of this Article. The registration authority shall reject the registration if the creditors' claim is justified. In the case of a dispute over the existence of creditors' claims or adequacy of the provided collateral, the creditor's registration authority shall suspend the decision on the registration of the share capital reduction until a company's or a creditor's decision to file an action becomes final, provided, however, that action is filed no later than within 30 days of issuing the decision to suspend the decision-making procedure.

(5) Notwithstanding the provisions of the preceding paragraph, the registration authority shall perform the registration if the company proves the existence of well-founded reasons. In this case, the provisions of paragraphs (4) and (5) of Article 590 of this Act shall apply, *mutatis mutandis*. In this case, creditors may also pursue the company's claims against shareholders as specified in paragraph (2) of Article 233 of this Act within one year after the judgment assessing the merits of the claim becomes final, notwithstanding the expiration of the limitation period referred to in Article 233 of this Act.

**Article 376**

**(Cancellation of shares)**

(1) If shares are pooled by means of exchange, stamping or any other similar procedure for the purposes of share capital reduction, a company may cancel the shares not received by it, notwithstanding its call for the submission of shares. A company may also cancel the shares that have been submitted to it but fall short of the number required for their replacement with new shares and the shares not submitted to it for realisation for the account of the participants. Shareholders cannot be excluded from a company by pooling shares, but legal communities of shareholders should be created for shares with the nearest nominal amount per share derived from the reduced share capital.

(2) The call for the submission of shares shall include a notice that shares not submitted to the company shall be cancelled. The cancellation shall only occur if the call for the submission of shares has been published in accordance with the provision of paragraph (1) of Article 224 of this Act concerning the extended deadline. The shares shall be cancelled by publishing an announcement in the company's newsletter or on its website. The cancelled shares shall be clearly marked for the purpose of publication, leaving no place for doubt that the shares have been cancelled.

(3) New shares issued in exchange for the cancelled and unexchanged shares shall be sold by the company for the shareholders' account at the official stock exchange price, through a stockbroker or by public auction in the absence of a stock exchange price.

(4) If it may be reasonably expected that the public auction will not be successful, shares may sold at an appropriate place. The time, place and subject of the auction shall be published in the locally established manner. Participants in the auction shall be notified separately, unless this is not possible. The public announcement shall be made at least two weeks in advance of the auction. The proceeds from the auction will go to the participants.

**Article 377**

**(Notification)**

(1) The management shall notify the reduction in the share capital for registration.

(2) The notification and registration of the reduction in the share capital may be combined with the notification and registration of the resolution to reduce the share capital. If the share
capital is reduced by pooling shares, a reduction in the share capital may be announced and registered only after the share pooling process in accordance with the provision of the preceding Article of this Act has been completed.

Article 378

(Reduction below the minimum nominal amount)

Share capital may be reduced below the minimum amount referred to in Article 171 of this Act, provided that it is achieved again by an increase in the share capital; for this purpose, a resolution shall be passed simultaneously with a reduction in the share capital that can no longer be increased through non-cash contributions.

Section 2

Simplified reduction of share capital

Article 379

(Terms and conditions)

(1) A reduction in the share capital that is intended to offset the retained loss or the net loss for the financial year or for allocation to revenue reserves may also be carried out in a simplified manner. The resolution to reduce the share capital shall indicate the purpose of share capital reduction.

(2) A simplified reduction of share capital shall be permitted in the following cases:

– in the absence or early release of revenue and capital reserves, except the legal and capital reserves referred to in points 1 to 3 of paragraph (1) of Article 64 of this Act, the total amount of which equals 10% or more as defined by the articles of association after the reduction in the remaining share capital; and

– when the profit for the financial year and the retained profit no longer exist.

(3) The provisions of Articles 372 to 374 and 376 to 378 of this Act shall apply, mutatis mutandis, to the reduction in the share capital in accordance with the two preceding paragraphs.

Article 380

(Restrictions on the use of profits following a simplified reduction of share capital)

After a simplified reduction of share capital, distributable profits may no longer be distributed to the shareholders or used for other purposes specified by the articles of association until the total revenue reserves referred to in points 1 to 3 of paragraph (1) of Article 64 of this Act and the total legal reserves achieve the amount of the proportion of share capital referred to in paragraph (3) of Article 64 of this Act after the share capital reduction. Until then, no restrictions on the proportion of net profit allowed to be allocated annually to the legal reserves referred to in paragraph (4) of Article 64 of this Act shall apply.

Section 3

Reduction of share capital by withdrawing shares

381. Article 381

(Terms and conditions)
(1) A company may withdraw shares under on a compulsory basis or by acquisition. Compulsory withdrawal shall be permitted provided that it has been defined or permitted by the original articles of association or amendments to the articles of association prior to the acceptance or subscription to shares.

(2) Compulsory withdrawal shall be regulated by the provisions on the ordinary reduction of the share capital. The articles of association or a resolution of the general meeting shall set the conditions for the compulsory withdrawal of shares and its detailed implementation. The provisions of paragraph (2) of Article 375 of this Act shall apply, mutatis mutandis, to the payment of the compensation to shareholders for the compulsory withdrawal or the acquisition of shares due to withdrawal.

(3) The provisions concerning ordinary share capital reduction shall not apply if the shares for which the issue price has been paid in full:

– are placed at the company's disposal free of charge; or

– are debited to the company's distributable profit or statutory or other revenue reserves if they are allowed to be used for such purposes.

(4) The share capital reduction by withdrawing shares in the cases referred to in the preceding paragraph shall be decided by the general meeting. The validity of the resolution shall require a simple majority of votes. A larger majority shareholding and other requirements may be stipulated by the articles of association. The resolution shall also indicate the purpose of the share capital reduction. The management and the president of the supervisory board shall notify the resolution for registration.

(5) In the cases referred to in paragraph (3) of this Article, the amount that equals the total minimum issue price of the withdrawn shares shall be allocated to capital reserves.

(6) There is no need for a resolution of the general meeting if the compulsory withdrawal of shares is defined by the articles of association. Instead of a resolution of the general meeting, a decision by the management to withdraw shares shall suffice for the application of the provisions concerning the reduction of the share capital.

Article 382

(Effective date of share capital reduction)

Share capital shall be reduced by the total minimum issue price of the withdrawn shares as of the date of registration of the resolution or withdrawal of shares. In the case of compulsory withdrawal defined by the articles of association and if the reduction in share capital is not decided by the general meeting, share capital shall be reduced by compulsory withdrawal. Shares shall be withdrawn by a company's act cancelling the rights deriving from shares.

Article 383

(Notification of share capital reduction)

(3) The provisions of Articles 372 to 374 and 376 to 378 of this Act shall apply, mutatis mutandis, to the notification of a reduction in the share capital.

Section 7

SPECIAL PROVISIONS ON THE TREATMENT OF MINORITY SHAREHOLDERS

Subsection 1
Exclusion of minority shareholders from management of the company

Article 384

(Transfer of shares against payment of cash compensation)

(1) At the proposal of the shareholder possessing at least 90% of the company’s share capital (hereinafter: the Main Shareholder), the general meeting of a public limited company may adopt a resolution to transfer shares of the other shareholders (hereinafter: Minority Shareholders) to the Main Shareholder against the payment of appropriate cash compensation.

(2) The provisions of paragraphs (2) and (4) of Article 528 of this Act shall apply, mutatis mutandis, to the determining of the amount of shares belonging to the company’s Main Shareholder.

Article 385

(Cash consideration)

(1) The level of cash compensation shall be determined by the Main Shareholder by applying, mutatis mutandis, the provisions of the sixth sentence of paragraph (2) of Article 556 of this Act. The company’s management shall make available to the Main Shareholder all the information and evidence necessary for this purpose.

(2) Prior to convening the general meeting, the Main Shareholder shall submit to the company's management a statement by which a bank assumes joint and several liability for the Main Shareholder's compliance with his duty to pay a minority shareholders compensation for the acquired shares immediately upon registration of the resolution to transfer shares.

Article 386

(Preparation and holding of the general meeting)

(1) The announcement of the agenda of the general meeting that will decide on the transfer of shares to the Main Shareholder shall include the following:

– the corporate name and registered office, or the full name and address of the Main Shareholder; and

– the amount of cash compensation offered by the Main Shareholder.

(2) The Main Shareholder shall prepare a written report for the general meeting explaining the assumptions for the transfer of shares and the appropriateness of the amount of cash compensation. The appropriateness of the amount of cash compensation offered by the Main Shareholder shall be assessed by one or more auditors appointed by the court at the proposal from the Main Shareholder. The provisions of Article 583 of this Act shall apply, mutatis mutandis, to the assessment of the appropriateness of the amount of cash compensation. The Main Shareholder and the auditors shall not be required to disclose the information for the reasons referred to in the first and third indent of paragraph (2) of Article 305 of this Act. No audit report shall be necessary if all minority shareholders submit a statement renouncing their right to have the report. The statement of renunciation shall be drawn up in the form of a notarial deed.

(3) Prior to the general meeting, the shareholders shall be allowed to examine the following documents at the company's head office:
– the proposal for a resolution to transfer shares;
– the company's annual reports for the previous three financial years;
– a written report by the Main Shareholder referred to in paragraph (2) of this Article; and
– the auditor's report referred to in paragraph (2) of this Article.

(4) A copy of the documents referred to in the first, third and fourth indents of the preceding paragraph shall be provided free of charge to each shareholder, on request and no later than on the business day following such request.

5) The documents referred to in paragraph (3) of this Article shall be presented at the general meeting. At the beginning of the discussion at the general meeting, the Main Shareholder shall explain the proposed resolution to transfer shares and the method of calculating the cash compensation. Prior to passing a resolution to transfer shares to the Main Shareholder, the Main Shareholder shall notify the minority shareholders of all significant changes to the company's assets during the period between the drafting of the resolution to transfer shares and the date of the general meeting. A significant change shall be any change that requires a different cash consideration.

Article 387
(Registration of the resolution to transfer shares; legal consequences)

(1) A company's management shall file an application for registration of the resolution to transfer shares.

The application shall be accompanied by a notarised copy of the minutes of the general meeting that decided on the exclusion of minority shareholders and attachments.

(2) The application for registration of the resolution to transfer shares to the Main Shareholder, attachments thereto and the relating decision-making process shall be subject to the application, mutatis mutandis, of the provisions of point 1 of paragraph (2) and paragraphs (3) to (5) of Article 590 of this Act.

(3) All shares held by minority shareholders shall pass to the Main Shareholder on the registration of the resolution to transfer shares.

The central securities clearing corporation shall deposit shares in book-entry form into a special account in order to prevent the free disposal of such shares by minority shareholders. If the company issues share certificates, they may only be used as evidence in the exercise of the right to cash compensation before being transferred to the Main Shareholder.

(4) A minority shareholder shall retain legal interest by filing a lawsuit for which legal interest deriving from the share ownership is required until the date of the general meeting decision on the transfer of shares to the Main Shareholder.

Article 388
(Judicial review of cash compensation)

(1) A resolution of the general meeting to transfer shares to the Main Shareholder may not be challenged if the cash consideration referred to in Article 385 of this Act and offered by the Main Shareholder is not appropriate, has not been offered, or not been offered correctly.

(2) If the cash consideration offered is not appropriate, each minority shareholder may propose that the court determine the appropriate level of consideration. The same shall apply if the Main Shareholder offers no compensation or offers it in an inappropriate manner. The provisions of paragraph (2) and point 1 of paragraph (3) of Article 605 and Articles 606 to
615 of this Act shall apply, *mutatis mutandis*, to the process of judicial determination of appropriate cash compensation.

**Subsection 2**

**The right of minority shareholders to exit the company**

**Article 389**

*(Request to purchase all of the remaining shares; (appropriate cash consideration)*

(1) At the request of one or more minority shareholders, the Main Shareholder shall offer such minority shareholders appropriate cash compensation for the purchase of all of the remaining shares within one month of receipt of the request.

(2) The provisions of paragraph (1) of Article 385 and paragraph (2) of Article 388 of this Act shall apply, *mutatis mutandis*, to the determining of appropriate cash compensation.

**Section 8**

**NULLITY AND VOIDABILITY**

**Article 390**

*(Grounds for nullity)*

In addition to the cases referred to in paragraphs (1) and (2) in connection with paragraph (3) of Article 343, Article 363 and paragraph (2) of Article 368 of this Act, a resolution of the general meeting shall also be null and void in the following cases:

– if it is adopted at a general meeting that has not been convened in accordance with paragraph (2) of Article 295 of this Act, or if the convocation was in violation of the first, second or fourth indents of paragraph (1) of Article 296 of this Act, or if the general meeting has not been convened in accordance with paragraphs (4) to (6) of Article 296 and paragraph (1) of Article 297 of this Act, unless all shareholders participate in the general meeting or are duly represented at it;

– if it has not been confirmed in accordance with paragraphs (1) and (2) of Article 304 of this Act;

– if it is incompatible with the essence of the company or if its contents are contrary to the provisions of this Act applied solely or principally to the protection of the company’s creditors or are otherwise in the public interest;

– if its contents are contrary to public order or morality;

– the general meeting’s resolution referred to in Article 378 of this Act shall be void if the resolution to increase the share capital and the increase in the share capital are not registered within six months; this deadline shall not expire pending the completion of nullity proceedings.

**Article 391**

*(Deadlines for claiming nullity of resolutions)*

(1) No claim for the nullity of a general meeting’s resolution for the reason referred to in the second indent of the preceding Article may be enforced after the resolution has been registered.
(2) No claim for the nullity of the general meeting's decision referred to in the first, third, fourth and fifth indent of the preceding Article may be enforced three years after the registration unless a nullity action has been brought in the same deadline.

**Article 392**

*(Nullity of elections)*

In addition to the cases referred to in Article 390 of this Act, elections of the members of the supervisory board or of the board of directors shall also be void if:

– the supervisory board or the board of directors is composed in violation of the law or the articles of association;

– the general meeting elects a person who was not put forward as a candidate in accordance with the law or the articles of association; or

– more members than set out in the law of articles of association are elected.

**Article 393**

*(Nullity assessment procedure)*

The nullity assessment procedure shall be expeditious.

**394. Article 394**

*(Legal consequences of nullity)*

A void resolution shall have no legal consequences. Whoever receives any benefit on the basis of a void resolution shall return to the company the entire amount of such benefit plus costs.

**Article 395**

*(Reasons for voidability and convalidation of voidable resolutions)*

(1) A resolution of the general meeting shall be voidable if:

1. the contents of the decision is contrary to the law or articles of association; or

2. the adoption of the resolution violated the law or articles of association and such violations affect the validity of the decision (for instance, a resolution not voted by a sufficient majority).

(2) Notwithstanding point 2 of paragraph (1) of this Article, a resolution of the general meeting shall be voidable at all times if the shareholders’ right to be informed under Article 305 of this Act is violated in connection with the adoption of the resolution.

(3) A resolution may also be voided by the fact that, in exercising his voting right, a shareholder attempted to secure for himself or for a third party special benefits to the detriment of the company or the other shareholders, if this purpose can be achieved on the basis of the resolution adopted by the general meeting. However, this shall not apply where appropriate compensation for such damage is provided to other shareholders pursuant to the resolution.

(4) A general meeting's resolution may not be voided for a violation of the provisions of Article 302 of this Act.
(5) A general meeting’s resolution may no longer be annulled once the general meeting has confirmed the resolution by a new resolution, provided that no action has been lodged within the time limit for its annulment or the establishing of its nullity, or where such action has been withdrawn, or where a claim for annulment of the new resolution or for establishing its nullity has been finally refused.

(6) Notwithstanding the preceding paragraph, a person referred to in paragraph (7) of this article, who demonstrates a legal interest in having the resolution annulled for the period until the adoption of a new (confirming) resolution, may request the court to establish that the voidable resolution was not valid prior to the adoption of the new (confirming) resolution.

(7) A resolution of the general meeting may be challenged by:
– any shareholder under the conditions specified by this Act;
– the management;
– any member of a management or supervisory body if, by implementing the general meeting’s resolution, such member would be committing a criminal offence or acting contrary to the law.

Article 396

(Action for annulment)

(1) Action for annulment shall be brought within one month of the date of the resolution. This time limit shall commence as follows:
– if the plaintiff participated in the general meeting: on the closing date of the general meeting;
– if the plaintiff did not take part in the general meeting: on the date he/she became or should have become aware of the resolution.

(2) If the resolution was published, the one-month period shall commence on the date of publication.

Article 397

(Announcement of the intention to challenge the resolution)

(1) The shareholders who attended the general meeting may only challenge a resolution if they notify the general meeting forthwith of their intention to lodge action for annulment and if such notification is entered in the minutes; shareholders who did not attend the meeting may challenge a resolution only if they were unlawfully prevented from attending it, or if they were not properly invited, or if the general meeting decided on a matter that was not on the agenda.

(2) The management shall announce that the action for annulment has been lodged in the same way as it shall announce the challenged resolution.

Article 398

(Effect of repealed resolutions)

If the court annuls a resolution passed by the general meeting or declares it void, the court ruling shall apply to all shareholders and members of the management or supervisory bodies. In the case of a resolution that is entered in the register, the content of the court ruling shall be recorded ex officio. The management must publish the contents of the ruling.
Article 399
(Voidability of the Resolution on the appropriation of distributable profits)

(1) A general meeting's resolution on the appropriation of distributable profits may be challenged if it is contrary to the law or the articles of association, or if the general meeting decides not to distribute the profits to the shareholders in the amount corresponding to at least 4% of the share capital, provided that, according to the due diligence principle, this is unnecessary given the circumstances in which the company operates,

(2) An action for annulment of the general meeting's resolution on the appropriation of distributable profits may be lodged by the shareholders whose combined interest accounts for at least one-twentieth of the share capital or the minimum issue price of EUR 400,000. If the court determines that there are circumstances that justify the appropriation of distributable profits, it shall modify the resolution adopted by the general meeting at the request of the shareholders.

Article 400
(Challenging the resolution to increase the share capital)

(1) A resolution to increase the share capital through contributions may be challenged in accordance with the provisions of Article 395 of this Act.

(2) If the shareholders' pre-emptive right has been excluded in whole or in part, the resolution may also be challenged on the grounds that the issue price or the minimum issue price of new shares has been set too low by the resolution to increase the share capital. This shall not apply if the new shares are acquired by a third party assuming the obligation to offer them to shareholders.

Article 401
(Invalidity of the annual report and voidability of the resolution to adopt the annual report)

(1) The annual report shall be invalid if:

– if its contents are contrary to the provisions of this Act applied solely or principally to the protection the company's creditors or are otherwise in the public interest;

– it should have been audited under this Act, but an audit has not been performed or has not been performed in compliance with the method and the conditions specified by the act governing auditing; or

– if the provisions of this Act or the articles of association concerning the creation (increase) or use (reduction) of capital reserves and profit reserves have been violated in the procedure for the adoption of the annual report.

(2) An annual report whose adoption has been decided by the management or supervisory body shall also be invalid if the supervisory board did not act in accordance with paragraphs (1) and (2) of Article 282 of this Act in the adoption of the annual report.

(3) If, when adopting the annual report, the general meeting has amended the compiled annual report in accordance with the second sentence of paragraph (3) of Article 293, the annual report shall also be invalid if amendments to the annual report are not examined by an auditor within two weeks of the adoption of the annual report, or if the auditor who has examined the amendments to the annual report has not given a positive opinion in respect of these amendments.
(4) An annual report that has been adopted by the general meeting shall also be invalid if the general meeting’s resolution on the adoption of the annual report is null and void for the reasons laid down in the first or second indent of Article 390 of this Act.

(5) The general meeting's resolution to adopt the annual report may be challenged in accordance with the provisions of Article 395 of this Act, but may not be challenged for the lack of conformity of the contents of the annual report with the law or the articles of association.

Section 9
WINDING-UP OF A COMPANY

Subsection 1
Regular winding-up

Article 402
(Reasons for winding-up)

(1) A company shall be wound up:

– upon the expiry of the period of time for which it was incorporated;

– by a resolution of the general meeting, which shall be adopted with a majority of at least three-quarters of the share capital represented at the general meeting; a larger majority shareholding and other requirements may be stipulated by the articles of association;

– if the management has been inactive for more than 12 months;

– if the court establishes the invalidity of a company limited by shares;

– in the case of bankruptcy;

– by a court decision;

– by a merger with another company; or

– if the company's share capital is reduced below the minimum amount referred to in Article 171 of this Act, except in the case referred to in Article 378 of this Act.

(2) The articles of association may also determine other reasons for the winding up of a company.

(3) Shareholders whose combined interest accounts for at least one-twentieth of the share capital, and each member of the management or supervisory body may bring an action requesting the court to decide on the winding-up of the company if they believe that that the company's goals cannot satisfactorily be achieved, or that other good reasons exist for the winding-up of the company, in particular, deficiencies in the provisions of the articles of association concerning the amount of share capital, the definition of shares or the company's activity that are not in conformity with this Act. If the deficiencies can be remedied, action may only be brought after the person entitled to bring such action has called on the company to remedy the deficiencies and the company has not taken any action within three months, or the deficiencies have not been remedied within one year.

Article 403
(Adoption of a resolution to wind up a company and commence liquidation proceedings)

(1) In the cases referred to in the first and the second indents of paragraph (1) of the preceding Article, a resolution to wind up the company and commence liquidation proceedings (liquidation resolution) shall be adopted by the general meeting.

(2) In the case referred to in the first indent of paragraph (1) of the preceding Article, the general meeting shall adopt a liquidation resolution within 30 days of the expiry of the period set out in the articles of association.

(3) In the cases referred to in the third, fourth and sixth indents of paragraph (1) of the preceding Article, the liquidation resolution shall be issued by the court.

Article 404

(Commencement of liquidation proceedings)

(1) The liquidation procedure of a company shall be carried out by the company based on the liquidation resolution for reasons stated in the first and the second indents of paragraph (1) of Article 402 of this Act.

(2) In the cases referred to in paragraph (3) of the preceding Article, the liquidation procedure shall be carried out by the court.

(3) In the case referred to in the third indent of paragraph (1) of Article 402 of this Act, a proposal to wind up the company may be lodged with the court by creditors or shareholders accounting for at least one-tenth of the company's share capital.

(4) In the case referred to in the sixth indent of paragraph (1) of Article 402 of this Act, a creditor or any shareholder may lodge a winding-up proposal with the court. The court shall issue a liquidation decision if the shareholders fail to provide share capital in the amount of the statutory minimum within the time limit set by the court, which may not be shorter than three months.

(5) In the case referred to in the third and the eighth indents of paragraph (1) of Article 402 of this Act, the liquidation procedure shall be carried out by the court ex officio. Liquidation costs shall be covered by the company's assets; if this is not enough, also by the assets of its founders.

Article 405

(The contents of liquidation resolution)

(1) The liquidation resolution shall include the following:

– the corporate name and registered office;

– the body which adopted the resolution;

– the reason for winding-up;

– the time limit within which creditors and shareholders holding bearer shares shall notify their claims; this time limit may not be less than 30 days from the date of the announcement of the resolution; and

– the name, surname and address, or corporate name and registered office of the liquidator.
(2) A liquidation resolution may also contain other details relating to the winding-up and liquidation of the company.

(3) The body that adopts the liquidation resolution shall send the resolution to the registration authority for entering the commencement of liquidation proceedings in the register.

**Article 406**

*(Liquidation proceedings)*

(1) Liquidation proceedings shall be carried out upon entering the commencement of liquidation in the register.

(2) If there are no specific provisions in this Section, the provisions of this Act relating to the company before the adoption of the liquidation resolution shall continue to apply until the end of the liquidation proceedings.

**Article 407**

*(Designation in the corporate name)*

After registering the commencement of liquidation proceedings the company shall add the words 'in liquidation' after its corporate name.

**Article 408**

*(Liquidation proceedings bodies)*

(1) Liquidation shall be carried out by one or more liquidators.

(2) Liquidators shall be members of the management, unless otherwise provided by the articles of association, the general meeting or the liquidation resolution.

(3) At the proposal of the supervisory board, the board of directors or shareholders accounting for one-twentieth of the share capital, and (when good reasons exist) a liquidator shall be appointed by the court.

(4) The provisions of this Act and the articles of association concerning the decision-making by the management shall apply, *mutatis mutandis*, to the decisions made by liquidators unless otherwise provided by the liquidation resolution.

**Article 409**

*(Liquidator company)*

A legal entity may also be appointed as liquidator (liquidator company).

**Article 410**

*(Statement by a liquidator)*

A liquidator shall declare in writing that he/she will carry out all his duties as liquidator with due diligence and honesty.

**Article 411**

*(Discharge of liquidator)*
The liquidator may be dismissed at any time and without stating the grounds for doing so, by the body which appointed him/her.

**Article 412**

**Powers of liquidators**

Liquidators shall:
– act on behalf of and represent the company;
– draw up an opening liquidation balance sheet;
– conclude unfinished business;
– repay the creditors;
– publish an invitation to creditors to notify their claims within a time limit not shorter than 30 days from the date of publication;
– recover the company's claims;
– realise the liquidation estate to the extent necessary to repay the creditors;
– prepare a draft report on the progress of liquidation proceedings and the distribution of assets;
– propose the deletion of the company from the register; and
– perform other tasks relating to liquidation as provided by the law, the articles of association or the resolution to liquidate the company.

**Article 413**

**Continuing operations**

The liquidator shall be entitled to continue to pursue the company's operations by entering into new transactions only with the approval of the body that adopted the liquidation resolution.

**Article 414**

**Termination of liquidation proceedings and continuation of bankruptcy proceedings**

If, on the basis of the notified claims, the liquidator establishes that the company's assets are insufficient to repay the creditors in full, including statutory interest, the liquidator shall terminate the liquidation proceedings without delay and propose the commencement of bankruptcy proceedings.

**Article 415**

**Report on the progress of the proceedings and proposal for the distribution of assets**

After the company's debts have been paid, the liquidator shall prepare a report on the progress of the liquidation proceedings and a proposal for the distribution of assets, unless otherwise provided by the liquidation resolution.

**Article 416**
(Adoption of a report on the progress of the proceedings and on the distribution of assets)

(1) The body that adopted the liquidation resolution shall decide on the draft report on the progress of the liquidation procedure and the proposal for the distribution of assets, unless otherwise specified in the resolution.

(2) If the general meeting is responsible for adopting the report and the resolution on the distribution of assets, and yet it has not yet been held in spite of being convened twice, or has failed to obtain a quorum, it shall be deemed that the proposal drawn up by the liquidator has been adopted by a resolution of the general meeting.

Article 417
(Time limit for distribution of assets)

(1) Pursuant to the resolution on the distribution of assets, the liquidator shall distribute the assets within 30 days.

(2) If the resolution referred to in the preceding paragraph is adopted by the court, the 30-day time limit shall commence on the date when the resolution becomes final.

Article 418
(Distribution of assets)

(1) On the repayment of the company's all liabilities, the remaining assets shall be distributed among the shareholders in proportion to their shares. Contributions that have not yet been paid in shall be paid in before distribution in accordance with the articles of association.

(2) Once the distribution of assets has been completed, the liquidator shall deliver to the registration body a report on the progress of the liquidation proceedings adopted at the general meeting and the general meeting's resolution on the distribution of assets, and shall declare that all the assets have been distributed in accordance with the resolution on the distribution of assets and propose the deletion of the company from the register.

Article 419
(Liability for damages)

(1) The liquidator's actions may not be contested after the deletion of the company from the register; however, a compensation for damage may be claimed from him.

(2) The liquidator shall be liable for the damage caused to the creditor during liquidation proceedings up to five times the amount of payment which he/she received for his work. If this amount is insufficient to pay for the damage caused, all shareholders shall be jointly and severally liable up to the amount of their shares paid from the liquidation estate. If a creditor has not received payment for failure to register his/her claims in time and the liquidator was not and could not have been aware of it, it shall not be considered to be damage.

(3) The provisions of the preceding paragraph shall not apply to damage caused by the liquidator to the shareholders. The liquidator shall be liable for such damage in accordance with the general rules on damage liability.

(4) A claim for compensation brought against the liquidator shall be time-barred one year from the date of the company's deletion from the register.
(5) When there is more than one liquidator, they shall assume joint and several liability.

**Article 420**

*(Claims by shareholders)*

Shareholders may pursue their claims arising from legal transactions with the company during the liquidation proceedings.

**Article 421**

*(Protection of creditors)*

1. Assets may not be distributed among the shareholders until after six months from the date of publication of the final announcement referred to in Article 405 of this Act.

2. The liquidator shall be provide appropriate collateral for the repayment of unmatured claims and identified claims not notified by creditors.

**Article 422**

*(Continuation of the company)*

1. If the liquidation resolution is adopted for the reasons set out in the first or second indents of paragraph (1) of Article 402 of this Act, the general meeting may, prior to proceeding to the distribution of assets among the shareholders, decide on the company's continued operation by a majority of at least three-quarters of the share capital represented at the meeting.

2. In this case, the liquidator shall propose the deletion of the entry of the commencement of liquidation proceedings from the register and attach a copy of the general meeting's resolution to the proposal.

**Article 423**

*(Remuneration of the liquidator)*

1. The liquidator shall be entitled to the reimbursement of costs and remuneration paid from the company's assets. The amount of payment shall be determined by the general meeting or by the court.

2. The remuneration for work carried out and the reimbursement of costs shall be paid to the liquidator after the payment of liabilities to creditors but before the distribution of assets to shareholders.

**Article 424**

*(Storage of books of account)*

1. Books of account, accounting and liquidation documents shall be stored by one the shareholders to be determined by the liquidator, or by an organisation designated by the law.

2. Creditors and shareholders shall have the right to examine the documents referred to in the preceding paragraph for three years after the conclusion of the liquidation proceedings.

3. An entry shall be made in the register, indicating the person with whom the documents referred to in paragraph (1) of this Article are stored.

**Subsection 2**
(Winding-up of a company under simplified procedure)

**Article 425**

*(Terms and conditions)*

(1) A company may be wound under simplified procedure without liquidation if all the shareholders propose to the registration body the deletion of the company from the register without liquidation, and accompany their proposal with a resolution to wind up the company under simplified procedure and by a certified statement of all the shareholders that the all of the company's liabilities have been met, that all relations with employees have been settled, and that the shareholders are assuming liability to pay any of the company's outstanding liabilities.

(2) Creditors may pursue their claims towards the shareholders who made the statement referred to in the preceding paragraph within one year of the announcement of the deletion of the company from the register.

(3) The shareholders shall assume joint and several liability for the claims referred to in the preceding paragraph with all their assets.

(4) The registration authority may require the shareholders to submit evidence of the veracity of their statement referred to in paragraph (1) of this Article. The registration authority may also require other forms of collateral for the assumed liability to repay debts.

**Article 426**

*(Contents of the resolution to wind up a company under a simplified procedure)*

A resolution to wind up a company under a simplified procedure shall include the company's corporate name and registered office, the body that adopted the winding-up resolution, an indication that the winding-up is being carried out under a simplified procedure, the number of shareholders and their full names and addresses, and a proposal for the distribution of assets.

**Article 427**

*(Publication of the winding-up resolution and the assumption of liabilities by the shareholders)*

(1) The registration authority shall publish the winding-up resolution, including the full names and addresses, or corporate names and registered offices of all the shareholders who have assumed the liability to pay any outstanding liabilities to creditors.

(2) The announcement shall also indicate that an appeal against the winding-up resolution shall be permitted within 15 days of the publication and that the registration authority shall adopt a resolution to delete the company from the register.

**Article 428**

*(Appeal against a winding-up resolution)*

(1) Shareholders, creditors or the competent state bodies may lodge an appeal against a resolution to wind up a company under simplified procedure within 15 days of the date of publication of the resolution.

(2) The appeal shall be decided by the registration authority. If the registration authority establishes that the appeal is justified and that creditors or shareholders could suffer
damage, it shall annul the resolution to wind up the company under simplified procedure and notify the company's bodies thereof, which shall then be obliged to continue the liquidation proceedings in accordance with this Act or, according to the circumstances, only adopt a winding-up resolution.

(3) On the annulment of the resolution to wind up a company under simplified procedure, the statements of shareholders on the assumption of liabilities for the company's obligations shall lose their legal effect.

(4) The registration authority shall notify the public of the annulment of the resolution to wind up a company under simplified procedure in the same manner as of the winding-up resolution.

Article 429
(Removal of a company from the register)

(1) If no appeal has been lodged or if an appeal has been lodged and rejected by the registration authority, the registration authority shall issue and publish a resolution to strike the company off the register. An appeal shall be permitted against this resolution within 15 days of the date of its publication.

(2) The record of the deletion of the company from the register shall also indicate the full names and addresses or corporate names and registered offices of shareholders who assumed the liability to pay any liabilities of the deleted company.

Chapter Five
EUROPEAN PUBLIC LIMITED LIABILITY COMPANY (SOCIETAS EUROPEA [SE])

Section 1
GENERAL PROVISIONS

Article 430
(The scope of special provisions on SE)

For the purpose of implementation of Regulation 2157/2001/ES, this Chapter shall define the method of incorporation, management, transfer of the registered office and winding-up of a European public limited company (hereinafter: SE).

Article 431
(Entry into the register)

(1) An SE shall be entered into the register. The provisions of this Act relating to the entry of a public limited company in the register shall apply, mutatis mutandis, to the application for the entry of a public limited company in the register.

(2) The application for the entry of an SE in the register shall be accompanied by the following:

– the agreement on workers' participation in the management of the SE, according to the method and under the conditions specified by the act governing workers' participation in the management of the SE; or
- the resolution on the termination of negotiations for the conclusion of the agreement referred to in the previous indent in accordance with the law governing workers’ participation in the management of the SE; or

– a statement by the members of the management that the agreement referred to in the first indent of this paragraph has not been reached within the appropriate deadline.

Article 432

(Publication of SE notifications in the Official Journal of the European Union)

The issuer of the Official Gazette of the Republic of Slovenia (Uradni list Republike Slovenije) shall notify the body competent for the publication in the Official Journal of the European Union about the data or notifications published in the Official Journal of the European Union, pursuant to Article 14 of Regulation 2157/2001/EC, within one month of the publication in the Official Gazette of the Republic of Slovenia.

Article 433

(Registered office in the SE)

(1) The articles of association shall determine the registered office of the SE in accordance with Article 30 of this Act.

(2) If the management of an SE that has its registered office in the Republic of Slovenia transfers its operations to another Member State, the registration body shall ask the company to re-establish its operations in the Republic of Slovenia or transfer its registered office in accordance with Article 8 of Regulation 2157/2001/EC within an appropriate period of time. If the company fails to establish the activities of the management in the Republic of Slovenia or fails to transfer the registered office in accordance with Article 8 of Regulation 2157/2001/EC within the deadline set by the court, the registration body shall issue a resolution to windup the company. An appeal may be filed against the resolution to wind up the company, which shall stay the execution of the resolution.

Section 2

TRANSFER OF AN SE’S REGISTERED OFFICE

Article 433

(Offer of cash compensation in the proposal for the transfer of registered office)

(1) In addition to the data specified in paragraph (2) of Article 8 of Regulation 2157/2001/EC, the proposal for the transfer of an SE to another Member State shall also contain an offer for the acquisition of shares of the shareholders that objected, for the record, to the resolution to transfer the registered office against payment of appropriate cash compensation. This right shall also be enjoyed by a shareholder who did not attend the general meeting because of being unlawfully prevented from attending the general meeting, or if the general meeting was not correctly convened, or if the subject put forward for decision at the general meeting was not correctly published.

(2) The obligation to ensure cash compensation may be assumed by the SE or another person.

Article 435

(Assessment of the appropriateness of the amount of cash compensation)
(1) The appropriateness of the amount of cash compensation offered in the proposal for the transfer of the SE's registered office shall be assessed by an auditor.

(2) The provisions of paragraphs (2), (4), (6), (7) and (8) of Article 583 of this Act shall apply, mutatis mutandis, to the assessment of the appropriateness of the amount of cash compensation.

(3) The auditor's report on the appropriateness of the amount of cash consideration shall contain an opinion on whether the offered cash consideration is appropriate compensation for the acquired shares. The provisions of paragraph (5) of Article 583 of this Act shall apply, mutatis mutandis, to the auditor's opinion.

Article 436

(Review of the transfer of an SE's registered office by the supervisory board)

On the basis of the management's report on the transfer of the SE's registered office, and the report on the assessment of the appropriateness of cash compensation, the supervisory board shall examine the intended transfer of the SE's registered office and draw up a written report. The supervisory board's report on the review of the transfer of the SE's registered office shall not be required to disclose the information referred to in the first and third indents of paragraph (2) of Article 305 of this Act.

Article 437

(Publication of the proposal for transfer of an SE's registered office)

(1) At least two months prior to the date of the general meeting that is to decide on the transfer of the SE's registered office to another Member State, the management shall submit to the registration authority a proposal for the transfer of the SE's registered office that has been examined by the company's supervisory board. The company shall publish the notice of the submission of the proposal for the transfer of the SE registered office to the registration authority. The notice shall call the shareholders' attention to their rights referred to in paragraphs (2) and (3) of this article and Article 440 of this Act, and the attention of creditors to their rights referred to in paragraphs (2) and (3) of this Article and Article 442 of this Act.

(2) In addition to the documents specified in paragraph (4) of Article 8 of Regulation 2157/2001/EC, the following documents shall be made available for inspection by the shareholders at the company's registered office at least one month prior to the general meeting that is to decide on the transfer of the SE registered office:

1. reports on the assessment of the appropriateness of the amount of monetary compensation;

2. reports of the supervisory board on the review of the transfer of registered office; and

3. the annual report for the previous financial year.

(3) Each shareholder and creditor shall be given, on request, a free copy of these documents not later than on the following business day.

(4) The documents referred to in paragraph (2) of this Article shall be presented at the general meeting. At the beginning of the discussion at the general meeting, the management shall orally explain the contents of the proposal for the transfer of the SE's registered office. Before the decision on the granting of the consent to transfer the SE's registered office, the management shall notify the shareholders of all significant changes in the company's assets that occurred between the preparation of the proposal for the transfer of the SE's registered office and the general meeting.
Article 438

(Special requirements for the general meeting’s consent to the transfer of the SE’s registered office)

If a shareholder has special rights under the articles of association, the general meeting’s consent referred to in paragraph (1) of Article 632 of this Act shall be required for the validity of the resolution.

Article 439

(Simplified transfer of the SE’s registered office)

If all shares of an SE are held by a single person, or if all shareholders waive their rights to cash compensation with a statement drawn up in the form of a notarial deed, the provisions of this Act concerning the offer of a cash compensation in the proposal for the transfer of the registered office, and the provisions concerning the assessment of the appropriateness of the amount of cash compensation need not be complied with. The shareholders may make an oral statement waiving their rights at the general meeting that decides on the consent to the transfer of the SE’s registered office. In this case, the statement shall be included in the minutes of the general meeting.

Article 440

(The right of the shareholders to request the acquisition of shares for the payment of cash compensation)

(1) Each shareholder objecting to the resolution to grant consent to the transfer of the SE’s registered office for the record at the general meeting may request that the company or other person obliged to pay cash compensation under the draft resolution transfer the SE’s registered office to acquire his shares for the payment of the cash compensation. This right shall also be enjoyed by a shareholder who did not attend the general meeting because of having been unlawfully prevented from attending the general meeting, or if the general meeting was not correctly convened, or if the subject put for decision at the general meeting was not correctly published.

(2) The offer of cash compensation shall be binding until the expiry of one month from the date of entry of the transfer of the SE’s registered office in the register of the new SE’s registered office. The period of prescription of the obligation to pay cash compensation shall be three years from the date of the publication of the registration of the transfer of the SE’s registered office. The costs of the acquisition of shares referred to in the preceding paragraph shall be borne by the company or any other person that assumed the obligation to pay cash compensation under the draft resolution to transfer the SE registered office.

(3) In order to meet this obligation, the persons entitled to cash compensation under paragraph (1) of this Article shall receive monetary compensation or be provided with appropriate collateral.

(4) When the articles of association provide that the transfer of shares is subject to the company’s permission, shares may be transferred without permission from the date of the adoption of the resolution to grant consent to the transfer of the SE's registered office to the expiry of the period for accepting the offer of cash compensation.

Article 441

(Exclusion of reasons for challenging and judicial review of the appropriateness of cash compensation)
(1) The general meeting’s resolution giving consent to the transfer of the SE’s registered office may not be challenged for the following reasons:

1. because the amount of cash consideration is inappropriate, or the cash consideration has not been offered or has not been offered correctly; or

2. because the justification or explanation of the appropriateness of cash compensation in the management’s report on the transfer of the SE’s registered office, the report on the assessment of the appropriateness of the amount of cash compensation or the supervisory board’s report on the review of the transfer of the SE registered office is not in compliance with this Act.

(2) Shareholders who made an objection for the record against the resolution to give consent to the transfer of the SE’s registered office may require a judicial review of the appropriateness of the cash compensation. This right shall also be enjoyed by a shareholder who did not attend the general meeting because of having been unlawfully prevented from attending the general meeting, or if the general meeting was not correctly convened, or if the subject put for decision at the general meeting was not correctly published. The provisions of Article 603 of this Act shall apply, mutatis mutandis, to the judicial review of the appropriateness of cash compensation.

Article 442

(Protection of creditors)

The creditors of the SE shall have the right to require protection for their unmatured, uncertain or contingent claims, provided they require such protection within one month of the adoption of the resolution to give consent to the transfer of the SE’s registered office. Creditors may only exercise this right if they are able to prove beyond reasonable doubt that the settlement of their claims is jeopardised by the transfer of the SE registered office.

Article 443

(Entry of the intended transfer of the SE’s registered office in another Member State; Issue of the certificate)

(1) The management shall apply for the registration of the intended transfer of the SE’s registered office.

(2) A proposal for the entry of intended transfer of the SE's registered office shall be accompanied by the following:

1. a statement from the company’s management that is subject to the application, mutatis mutandis, of the provision of point 1 of paragraph (2) of Article 590 of this Act;

2. proposal for the transfer of the SE's registered office;

3. minutes of the general meeting that decided on the consent to transfer the SE's registered office;

4. the management's report on the transfer of the registered office;

5. the annual report for the previous financial year.

6. proof that the intended transfer of the SE’s registered office has been published in accordance with the provision of paragraph 1 of Article 437 of this Act; and
7. proof that all conditions for the exercise of the rights of shareholders and creditors have been met.

(3) If the management fails to submit the statement referred to in point 1 of the preceding paragraph of this Article because action has been lodged to contest the general meeting’s resolution to give consent to the transfer of the SE registered office, or to have it declared null and void, the provisions of paragraphs (3) to (5) of Article 590 of this Act shall apply, mutatis mutandis.

(4) The registration authority shall determine whether all the prescribed legal tasks in respect of the transfer of the SE’s registered office have been carried out and whether all the preliminary conditions for establishing the rights of shareholders to request the acquisition of shares for the payment of cash compensation have been satisfied, and whether it has been proved that all shareholders have validly waived this right and whether all the preliminary conditions for exercising the creditors’ rights to claim collateral have been met. If the registration authority establishes that all the prescribed legal tasks have been carried out and that all the preliminary conditions in respect of the transfer of the SE’s registered office have been satisfied, it shall record the intention to transfer the SE registered office and issue the certificate referred to in paragraph 8 of Article 8 of Regulation 2157/2001/EC.

(5) The new SE’s registered office and the register in which the SE shall be recorded shall be entered in the register upon entry of the intended transfer of the SE’s registered office. The entry shall bear a note saying that a certificate referred to in paragraph (8) of Article 8 of Regulation 2157/2001/EC has been issued.

(6) After having received the notification of registration of the transfer of the SE's registered office in another Member State, the registration authority shall enter the deletion of a company from the register ex officio.

Article 444

(Application for registration of the transfer of the SE's registered office from another Member State to the Republic of Slovenia)

(1) The management that wishes to transfer its registered office from another Member State shall apply for the registration of the transfer of the SE’s registered office in the Republic of Slovenia.

(2) In addition to the data and documents required for the registration of a public limited company pursuant to Article 199 of this Act, the application for the registration of the transfer of the SE’s registered office shall also be accompanied by the following:

1. the proposal for the transfer of the SE registered office;
2. the minutes of the general meeting that decided on the consent to transfer the SE's registered office;
3. the management's report on the transfer of the SE's registered office;
4. the annual report for the previous financial year;
5. the certificate issued by a competent authority of a Member State in which the SE previously had its registered office;
6. an extract from the register of the previous registered office, which may not be issued prior to the issue of the certificate referred to in the preceding point; and
7. certified signatures of all members of the management and other representatives.
(3) The application for the registration of the SE's registered office shall be accompanied by a statement of the management certifying that none of the procedures referred to in paragraph 15 of Article 8 of Regulation 2157/2001/EC have been initiated against the company.

(4) Original copies and certified translations of the documents referred to in paragraphs (2) and (3) of this Article shall be submitted.

(5) After having entered the transfer of the SE's registered office in the register, the registration authority shall notify, *ex officio*, the body responsible for the registration of companies of the Member State from which the SE registered office is being transferred.

Section 3

FORMATION OF AN SE

Subsection 1

Formation of an SE by merger

Article 445

*(Offer of cash compensation in a contract for merger into an SE)*

(1) In accordance with Article 17 of Regulation 2157/2001/EC, the contract for merger into an SE (hereinafter: Merger Contract) shall, in addition to the data specified in paragraph (1) of Article 20 of Regulation 2157/2001/EC, also contain an offer for the acquisition of shares of the shareholders who, at the general meeting deciding on the consent to the merger, objected, for the record, to the transfer of assets, rights and obligations of the company by way of merger with an SE established in another Member State, against payment of appropriate cash compensation. This right shall also be enjoyed by a shareholder who did not attend the general meeting because of having been unlawfully prevented from attending the general meeting, or if the general meeting was not correctly convened, or if the subject put for decision at the general meeting was not correctly published.

(2) The obligation to ensure cash compensation may be assumed by SE or another person.

Article 446

*(SE merger audit)*

(1) The Merger Contract shall be examined by one or more auditors for each company involved in the merger. The provisions of the second, third and first sentence of the fourth, sixth, seventh, first sentence and fourth, sixth, seventh and first sentence of paragraph (8) of Article 583 of this Act shall apply, *mutatis mutandis*, to the audit of the Merger Contract.

The provisions of paragraph (5) of Article 583 of this Act shall apply, *mutatis mutandis*, to the preparation of the auditor's opinion.

Article 447

*(Publication of Merger Contract)*

(1) The Merger Contract shall be submitted to the registration authority, and a notice thereof shall be published in compliance with provisions of the first and second sentence of paragraph (1) of Article 586 of this Act. This notice shall contain the data referred to in Article 21 of Regulation 2157/2001/EC.
(2) The notice referred to in the preceding paragraph shall call the shareholders' attention to their rights referred to in Article 449 of this Act, and the attention of creditors to their rights referred to in paragraph (3) of this Article and Article 451 of this Act.

(3) A copy of the documents referred to in paragraph (2) of Article 586 of this Act shall be provided free of charge on request to each creditor and shareholder of the company whose assets, rights and obligations are transferred by way of merger with an SE established in another Member State no later than on the next business day following such request.

Article 448

(Simplified SE merger)

If all shares of an SE are held by a single person or if all shareholders waive their rights to cash compensation with a statement drawn up in the form of a notarial deed, the provisions of this Act concerning the offer of a cash compensation in the Merger Contract and the provisions concerning the assessment of the appropriateness of the amount of cash compensation need not be complied with. The shareholders may give their statement waiving the use of these provisions orally at the general meeting deliberating the approval of the merger. In this case, the statement shall be included in the minutes of the general meeting.

Article 449

(The right of shareholders to request acquisition of shares against payment of cash compensation)

Each shareholder making an objection for the record against the resolution of the general meeting that decides on granting consent to the merger may require the company or other person who assumed the obligation to pay cash compensation under the Merger Contract to acquire his/her shares against payment of appropriate cash compensation. This right shall also be enjoyed by a shareholder who did not attend the general meeting because of having been unlawfully prevented from attending the general meeting, or if the general meeting was not correctly convened, or if the subject put for decision at the general meeting was not correctly published. The provisions of Articles 440 and 441 of this Act shall apply, mutatis mutandis, to the right of shareholders to request the acquisition of shares against payment of cash compensation.

Article 450

(Exclusion of grounds for challenging the resolution; judicial review of the exchange ratio)

(1) The general meeting's resolution to give consent to the merger may not be contested for the reasons specified in Article 604 of this Act if, when deciding to grant consent to the merger, the general meetings of all companies that are established in other Member States and participate in the merger and whose national legislations do not regulate the judicial review procedure for the exchange ratio expressly agree that:

1. the shareholders of a company established in the Republic of Slovenia may propose a judicial review of the exchange ratio for an SE established in the Republic of Slovenia; or

2. the shareholders of the acquired company established in the Republic of Slovenia may propose a judicial review of the exchange ratio for an SE established in another Member State in accordance with the method and under the conditions specified in Articles 605 to 615 of this Act.
(2) In the cases referred to in point 2 of the preceding paragraph, a request for a judicial review of the exchange ratio may only be made by the shareholders who orally announced their intention to submit a request for a judicial review of the exchange ratio at the general meeting deciding on the consent to a merger, or by the shareholders who announced the submission of such request within one month from the adoption of the resolution to consent to the merger. The certificate referred to in paragraph (2) of Article 25 of Regulation 2157/EC shall indicate whether the shareholders announced the submission of a request for a judicial review of the exchange ratio.

(3) The shareholders of each acquired company established in another Member State may submit a request for a judicial review of the exchange ratio if:

1. if it is evident from the certificate issued by this company that the shareholders have validly waived their right to challenge the general meeting’s resolution to give consent to a merger for reasons related to the exchange ratio; and

2. all acquired companies established in other Member States agree to submit a request for a judicial review of the exchange ratio.

Article 451

(Protection of creditors and holders of special rights)

The provisions of Article 442 of this Act shall apply, mutatis mutandis, to the protection of the creditors of the company that transfers its assets, rights and obligations by way of merger with an SE established in another Member State.

Article 452

(Application for the registration of the transfer of assets, rights and obligations of a company established in the Republic of Slovenia through merger with an SE established in another Member State; issuing of a certificate)

(1) The management of the company that transfers its assets, rights and obligations by way of merger with an SE established in another Member State shall make an application for entry of the intended merger into an SE in the register.

(2) The application for the entering the intended merger into an SE shall be accompanied by the following:

1. the merger contract;

2. the minutes of the general meeting of the acquired company that decided on the consent to the merger;

3. authorisation of the competent authority, if required for the merger;

4. a merger report by the management of the acquired company;

5. a merger audit report or reports;

6. the final report of the acquired company;

7. proof that the proposed merger has been announced in accordance with the provisions of Article 447 of this Act;

8. evidence of the existence of conditions for exercising the shareholders’ rights and the consent of companies established in other Member States to commence the judicial review procedure for assessing the amount of cash compensation;
9. evidence of the existence of conditions for exercising the rights of shareholders and creditors;

10. a statement from the company's management that is subject to the application, mutatis mutandis, of the provision of point 1 of paragraph (2) of Article 590 of this Act; and

11. a statement from the company's management on the number of shareholders who exercise their right to request that the company acquire their shares against payment of cash compensation and on the method of exercising this right.

(3) If the management fails to submit the statement referred to in points 10 or 11 of the preceding paragraph of this Article because action has been lodged to contest the general meeting's resolution to give consent to the transfer of the SE registered office or to have it declared null and void, the provisions of paragraphs (3) to (5) of Article 590 of this Act shall apply, mutatis mutandis.

(4) The registration authority shall determine whether all the prescribed legal tasks in respect of the merger into an SE have been carried out and whether all the preliminary conditions for establishing the rights of shareholders to request the acquisition of shares for the payment of cash compensation have been satisfied, and whether it has been proved that all shareholders have validly waived this right and whether all the preliminary conditions for exercising the creditors' rights to claim collateral have been met. If the registration authority establishes that the preliminary conditions for the exercise of the shareholders' rights to request acquisition of shares against payment of cash compensation and the shareholders' rights to request collateral have been met, and that the holders of special rights have been granted equal rights, it shall register the merger into SE and issue the certificate referred to in paragraph (2) of Article 25 of Regulation 2157/2001/EC.

(5) The intended SE registered office and the register in which the SE shall be entered shall be recorded upon registration of the intended merger into an SE. The entry shall bear a note saying that a certificate referred to in paragraph (2) of Article 25 of Regulation 2157/2001/EC has been issued.

Subsection 2

Establishment of an SE holding

Article 453

(Establishment of an SE holding)

(1) A notarial protocol of the articles of association of an SE may only be drafted once the founders of the SE holding are known, after the expiry of the additional application deadline set in the second sentence of paragraph (3) of Article 33 of Regulation 2157/2001/EC.

(2) The additional application deadline set in the second sentence of paragraph (3) of Article 33 of Regulation 2157/2001/EC shall commence with the date of the announcement that all the preliminary conditions for the establishment of an SE holding have been met.

(3) The text of the notarial record of the articles of association of an SE holding shall be identical to the text of the draft articles of association indicated in the plan of establishment.

(4) In addition to the details provided by the third sentence of paragraph (2) of Article 32 of Regulation 2157/2001/EC, the draft articles of association shall also specify the amount of the share capital required for the establishment of an SE holding as well as the maximum share capital amount to be achieved after all shares of the companies striving for the establishment of an SE holding have been delivered to the SE holding.
Article 454

(*Mutatis mutandis application of merger provisions*)

(1) In addition to the provisions of Article 32 of the Regulation 2157/2001/EC, the provisions of Articles 450, 582 to 587, 604 and 605 of this Act shall apply, *mutatis mutandis*, to the formation report, audit and publication of the formation plan, to the exclusion of the challenging reasons and to the judicial review of the exchange ratio.

(2) If a company organised as a public limited company endeavours to establish an SE, the provisions of Article 585 of this Act shall apply, *mutatis mutandis*, to the validity of the resolution granting consent to the SE formation. If a company organised as a limited liability company endeavours to establish an SE, the provisions of Article 620 of this Act shall apply, *mutatis mutandis*, to the validity of the resolution granting consent to the SE formation.

Article 455

(*Registration of the fulfilment of the preliminary conditions for the intended establishment of an SE holding, certificate of completion of legal tasks associated with the formation procedure*)

(1) The managements of the companies planning to establish an SE holding shall apply for the registration of the fulfilment of the preliminary conditions for the intended establishment of an SE holding with registration authorities in the place of their establishment.

(2) Pursuant to Article 32 of Regulation 2157/2001/EC, the application for the registration of the fulfilment of the preliminary conditions for the intended establishment of an SE holding shall be accompanied by the following documents:

1. the formation plan;
2. the minutes of the general meeting of the company that decided on the consent to the formation;
3. the formation report;
4. the formation audit report;
5. proof of the publication of the notification of the submission of the formation plan to the registration authority; no such proof shall be required if the general meeting that decides on the consent to the formation is attended by all shareholders, or if they are represented but do not object to the resolution to grant consent to the formation; and
6. a statement from the company's management that is subject to the application, *mutatis mutandis*, of the provision of point 1 of paragraph (2) of Article 590 of this Act.

(3) If the management fails to submit the statement referred to in point 1 of the preceding paragraph of this Article because action has been lodged to contest the general meeting’s resolution to give consent to the establishment of an SE holding, or to have it declared null and void, the provisions of paragraphs (3) to (5) of Article 590 of this Act shall apply, *mutatis mutandis*.

(4) The registration authority shall determine whether all shareholders of the companies planning to establish an SE holding have delivered to the SE their holdings in such companies to the extent specified for each of them in the formation plan, whether all the preliminary conditions for the establishment have been met and whether all the legal tasks prescribed in respect of the merger into an SE have been carried out. If the registration authority determines that these preliminary conditions have been satisfied, it shall register
the company and issue a certificate stating that all legal tasks prescribed in respect of the establishment of an SE holding have been properly carried out.

(5) The registration record of the intended formation of an SE holding shall contain the corporate name and the registered office of the proposed SE holding, the register in which the SE holding shall be recorded, and the corporate names and registered offices of all other companies striving to establish an SE holding. The record shall bear a note saying that the preliminary conditions referred to in paragraph (2) of Article 32 of Regulation 2157/2001/EC have been satisfied.

(6) After the SE holding has been registered, the managements of the companies intending to establish the SE holding shall report to the registers in their respective places of establishment that the SE holding has been registered. An extract from the register into which the SE holding has been entered shall be attached to the application.

**Article 456**

*(Application for entry of the SE holding in the register)*

In addition to the documents specified in Article 199 of this Act, the application for entry of the SE holding in the register shall also be accompanied by the following:

1. the formation plan;

2. the minutes of the general meeting of the company that decided on the consent to the formation;

3. the formation audit report;

4. proof of the publication of the fulfilment of the preliminary conditions for establishing an SE holding in accordance with the paragraphs (3) and (5) of Article 33 of Regulation 2157/2001/EC;

5. the certificate referred to in paragraph (4) of the preceding Article, certifying that all the legal tasks prescribed in respect of the formation of an SE holding have been properly carried out; and

6. in respect of the companies that intend to establish an SE holding and are established in other Member States, the copies from the registers in which these companies are recorded.

**Subsection 3**

*Conversion of a public limited company into an SE and an SE into a public limited company*

**Article 457**

*(Conversion plan)*

The plan for converting a public limited company into an SE (hereinafter: Conversion Plan) shall include:

1. the previous corporate name, registered office and registration number of the company that is being converted;

2. the draft articles of association of the SE;

3. the estimated time frame for the conversion; and
4. the management's report on the conversion in accordance with paragraph (4) of Article 37 of Regulation 2157/2001/EC.

**Article 458**

**(Conversion audit)**

(1) The conversion plan shall be examined by an auditor.

(2) The auditor must draw up a written report on the conversion plan audit. In accordance with the paragraph (6) of Article 37 of Regulation 2157/2001/EC, the auditor shall also verify whether the total asset value of the company less liabilities is at least equal to the amount of the share capital increased by the total reserves the company is obliged to create.

(3) The provisions of this Act governing the formation audit shall apply, *mutatis mutandis*, to the conversion audit.

**Article 459**

**(Announcement of the Conversion Plan)**

(1) At least one month before the general meeting that is to decide on the conversion, the company's management shall submit to the registration authority a conversion plan that has previously been reviewed by the company's supervisory board. The notification of the submission of the conversion plan to the registration authority shall be published by the company. The published notification shall call the shareholders' attention to their rights referred to in paragraphs (2) and (3) of this Article.

(2) At least one month before the general meeting that is to decide on the conversion, the following shall be made available for inspection by the shareholders at the company's registered office:

1. the Conversion Plan;
2. the management's conversion report;
3. the conversion audit report; and
4. the annual report for the previous financial year.

(3) Each shareholder shall be given, on request, a free copy of these documents not later than on the following business day.

(4) The documents referred to in paragraph (2) of this Article shall be presented at the general meeting. At the beginning of the discussion at the general meeting, the management shall orally explain the contents of the Conversion Plan. Before the decision on the granting of the consent to the conversion, the management shall notify the shareholders of all significant changes in the company's assets that occurred between the Conversion Plan and the general meeting.

**Article 460**

**(Application for entry of conversion in the register)**

(1) The management shall apply for the registration of the conversion.

(2) The application for registration of the conversion shall be accompanied by the following:
1. the Conversion Plan;
2. the minutes of the general meeting that decided on the consent to the conversion;
3. the management's conversion report;
4. the formation audit report;
5. the annual report for the previous financial year;
6. proof that the proposed conversion has been announced in accordance with the provisions of Article 459 of this Act; no such proof shall be required if the general meeting that decides on the consent to the conversion is attended by all shareholders, or if they are represented but do not object to the resolution to grant consent to the conversion; and
7. authorisation of the competent authority, if required for the merger.

Article 461

(Conversion of an SE into a public limited company)

The provisions of this Act relating to the conversion of an SE into public limited company shall apply, mutatis mutandis, to the conversion of public limited company into an SE.

Section 4

MANAGEMENT OF AN SE

Article 462

(Application of provisions)

The provisions of this Act shall apply to the management of an SE, unless otherwise provided by Regulation 2157/2001/EC.

Section 5

WINDING-UP OF AN SE

Article 463

(Winding-up of an SE in the case of different locations of the registered office and the management)

(1) If an SE no longer meets the requirements of Article 7 of Regulation 2157/2001/EC, it shall be deemed that the provisions of the articles of association in terms of paragraph (3) of Article 402 of this Act are incomplete. The registration authority shall invite the SE to eliminate any inconsistencies within a specified deadline by re-establishing the central management in the country of its establishment, or by transferring its registered office according to the procedure laid down by Article 8 of Regulation 2157/2001/EC.

(2) If the company fails to eliminate inconsistencies within the deadline specified by the registration authority, the registration authority shall establish deficiencies in the articles of association ex officio.

Chapter Six

PARTNERSHIP LIMITED BY SHARES

Article 464
(Definition and concept)

(1) A partnership limited by shares shall be a company in which at least one partner assumes the responsibility for the company's liabilities with all his assets (general partner), while the limited shareholders who hold a share in the share capital shall not assume any responsibility for the company's liabilities to the creditors.

(2) The provisions of this Act governing limited partnerships shall apply, mutatis mutandis, to the legal relations between the general partners and their relations with the limited shareholders, particularly in respect of the general partners' entitlement to conduct the operations of and represent the company.

(3) The provisions of this Act relating to public limited companies shall apply, mutatis mutandis, to other matters associated with partnerships limited by shares unless otherwise provided in this Chapter.

Article 465

(Adoption of the articles of association)

(1) The articles of association of a partnership limited by shares shall be adopted by at least five persons. The articles of association shall indicate the amount of the company's share capital, the number of shares and, in the case of shares with nominal value, also their nominal value. If there is more than one class of shares, the articles of association shall indicate the class of shares acquired by the limited shareholders.

(2) All general partners and limited shareholders who acquire shares on the company's formation shall participate in the adoption of the articles of association.

(3) The partners who adopt the articles of association shall be the founders of the company.

Article 466

(Contents of the articles of association)

(1) In addition to the details referred to in Article 183 of this Act, the articles of association of a partnership limited by shares shall indicate the full name and address or the corporate name and registered office of each general partner.

(2) Cash and non-cash contributions by the general partners shall be indicated in the articles of association by amount and type.

Article 467

(General partners and their entry in the register)

(1) The provisions of this Act relating to the management board of a public limited company shall apply, mutatis mutandis, to the general partners.

(2) At the company's registration, all general partners and the extent of their entitlement to represent the company shall be entered, instead of the management board members.

Article 468

(Voting at the general meeting)
(1) The general partners shall have voting rights at the general meeting in proportion to their participation in the share capital. They may not exercise their voting rights either for themselves or for some other person whenever the general meeting votes on the following:

– the election or discharge of the supervisory board;

– the dismissal of the general partners and members of the supervisory board;

– the appointment of auditors;

– the pursuit of compensation claims; or

– the waiver of compensation claims.

(2) Resolutions by the general meeting shall require the consent of the general partners if they refer to things for which the consent of the general partners and the limited shareholders is necessary. The general partners' consent shall not be required for the exercise of the powers that the general meeting or a minority of the limited shareholders enjoys in the appointment of auditors, in the exclusion of minority shareholders, and in the pursuit of claims of the company arising from the formation or the conduct of operations.

(3) General meeting resolutions that require the consent of the general partners shall be submitted for entry in the register only after the consent has been given.

(4) For resolutions that are entered in the register, the consent shall be established on the record.

**Article 469**

(1) Resolutions of the limited shareholders shall be carried out by the board of limited shareholders unless otherwise required by the articles of association.

(2) In a dispute between an association of limited shareholders and the general partners, the limited shareholders shall be represented by the board referred to in the preceding paragraph unless the general meeting has elected special representatives. The costs of the dispute charged to the limited shareholders shall be paid by the company; however, the company may request reimbursement of a proportionate part of the unreasonably incurred costs.

(3) The general partners may not become members of the board of limited shareholders.

**Article 470**

(1) If a general partner suffers a loss that exceeds his equity holding, he/she may not collect a dividend on his shareholding until the amount of the distributable loss of paid liabilities, the general partners' shares and the loss and claims arising from loans to the general partners and their family members exceeds that relating to the transfer of profit, state and other funds and equity holdings of the general partners.

(2) In the case under the preceding paragraph, the company may not approve any loans to the general partners. Any loans approved in contravention of this provision shall be repaid immediately.

(3) The provisions of the preceding paragraphs shall not apply to the payment for work received by the general partners or to non-profit related payments.
Chapter Seven
LIMITED LIABILITY COMPANY

Section 1
FORMATION OF THE COMPANY

Article 471
(Definition and concept)

(1) A limited liability company shall be a company whose share capital consists of capital contributions by its members. The amount of contributions may be different.

(2) The Company Members shall acquire their holdings, expressed in percentage terms, on the basis of their respective capital contributions and according to the proportion of their contributions to the share capital. Members may contribute only one capital contribution and hold only one shareholding on the company’s formation.

(3) No securities may be issued for the holdings referred to in the preceding paragraph; however, a company may issue its members a certificate as evidence of shareholding.

Article 471
(Liability of Company Members)

Members shall not be responsible for the liabilities of a limited liability company.

Article 473
(Founders)

(1) A company may be founded by one or more natural or legal persons who shall become members upon the company’s formation.

(2) A company may have a maximum of 50 members.

(3) A company may have more than 50 members only with the permission of the minister responsible for the economy.

Article 474
(Memorandum of association)

(1) A company shall be formed by contract, which may be either in the form of notarial deed or with a special form, in paper or electronic format. The memorandum of association shall be signed by all Company Members. When the memorandum of association is made with a special form, the Company Members' signatures shall be notarised.

(2) If the memorandum of association is signed by a Company Member's proxy, a proxy statement shall be submitted. If the memorandum of association is concluded in the form of a notarial deed, a member's proxy shall be confirmed by a notary public; however, if the memorandum of association is drawn up and signed on a special form, the member's signature shall be notarised. No proxy shall be required if the representative already has the power to sign the memorandum of association on behalf of the members according to the law.

(3) The memorandum of association shall include the following:
– the full name and residence or the corporate name and registered office of each Company Member;

– the corporate name, the registered office and the principal activity of the company;

– the amount of the share capital, and the amount of each capital contribution separately of the Company Members who paid in particular capital contributions and their holdings;

– the duration of the company if it is established for a fixed period of time;

– any obligations of the members towards the company other than payment of capital contributions and any obligations of the company towards its members.

(4) If the share capital or part thereof is provided in the form of a non-cash contribution, the memorandum of association or an annex forming a constituent part thereof shall indicate the subject of each non-cash contribution separately, the amount of the capital contribution for which a non-cash contribution is provided, and the member that made such non-cash contribution.

(5) The memorandum of association may also contain other elements in addition to those specified in paragraphs (3) and (4) of this Article.

(6) The minister responsible for the economy shall prescribe the form and contents of the special form of the memorandum of association.

Article 475

(Share capital and capital contributions)

(1) The share capital (capital stock) and each capital contribution shall be at least EUR 7500 and EUR 50, respectively.

(2) Capital contributions shall be provided in cash or as non-cash contributions or non-cash acquisitions. The provisions of Article 187 and the first sentence of paragraph (3) of Article 191 of this Act shall apply, mutatis mutandis, to capital contributions.

(3) Non-cash contributions may include movable or immovable property, rights, a whole company or a part thereof. Non-cash contributions shall also include payment for property acquired by the company and added to a member's contribution.

(4) Prior to the application for registration, each Company Member shall provide at least one quarter of his capital contribution, and capital contributions paid shall total at least EUR 7500.

(5) Non-cash contributions shall be delivered in full prior to the application for registration. If the amount of a non-cash contribution falls short of the amount of the capital contribution acquired, the Company Member shall pay the difference in cash.

(6) Capital contributions shall be delivered to a company in a manner that allows its manager free disposal of such contributions.

(7) Cash contributions shall be paid into a bank account.

Article 476

(Report on non-cash contributions)
(1) If non-cash contributions are provided for the formation of a company, the Company Members shall draw up and sign a report on non-cash contributions before applying for registration.

(2) The report shall state the objects comprising the non-cash contributions, facts demonstrating that the value of a non-cash contribution is not less than the amount of the capital contribution acquired, and any encumbrances on a non-cash contribution.

(3) If the investment in a company is another company, the balance sheet and the statement of profit and loss of the company for the past two financial years shall be submitted together with the report referred to in paragraph (1) of this Article.

(4) If the total amount for which non-cash contributions are provided exceeds EUR 100,000, the Company Members providing non-cash contributions shall ensure, at their own cost, that the non-cash contributions are assessed by an auditor; the auditor's report shall be a constituent part of the report referred to in paragraph (1) of this article. No valuation of non-cash contributions by an auditor or preparation of auditor's report shall be necessary in the case of non-cash contributions in the form of marketable securities, the already valued non-cash contributions or non-cash contributions valued at book values in the audited annual reports by using, mutatis mutandis, the provisions of this Act relating to public limited companies.

Article 477

(Formation costs)

(1) The Company Members shall provide funds for the formation of the company in proportion to the amount of their capital contributions.

(2) If the Company Members decide to claim reimbursement of the company formation costs, one or more Company Members may be remunerated for their work in connection with the formation of the company.

(3) The costs and the remuneration referred to in the preceding paragraph may only be paid to the Company Members out of the company’s profits; the Company Members may decide that these payments shall be given preference over the Company Members’ other requests to participate in the profits.

Article 478

(Application for registration)

(1) The manager shall apply for registration of the company with the registration authority or through a one-stop shop point as determined by the act governing the business register (hereinafter: OSS point), which shall forward the application to the registration authority. The application shall be accompanied by the following:

– the original or a certified copy of the memorandum of association;

– the list of Company Members and capital contributions acquired;

– a report on non-cash contributions;

– a letter from a bank confirming the deposit of cash contributions including a bank's statement that the company can freely dispose of assets; the bank shall be liable to the company for the accuracy of this statement; and
a certified auditor's report on the value of the non-cash contributions referred to in paragraph (4) of Article 476 of this Act.

(2) The manager shall notify the registration authority or the SSO point of any change in the details contained in their application or the attachments referred to in the preceding paragraph within three days.

(3) The registration authority shall refuse the registration if the auditor determines or if it is clear that the report referred to in paragraph (1) of Article 476 of this Act is incorrect, incomplete or contrary to the law, or if the auditor states or the registration authority believes that the value of a non-cash contribution is significantly lower than the amount of the capital contribution for which the non-cash contribution has been provided.

Article 479
(Liability of Company Members and the managers in the formation of a company)

(1) The Company Members and the managers shall be jointly and severally liable to the company for the damage caused wilfully or through gross negligence and resulting from failure to deliver or improper delivery of non-cash contributions, overestimation of these contributions, or from other detrimental action during course of the formation of the company.

(2) A company may not waive a claim for damages referred to in the preceding paragraph nor may it make a settlement in respect of such claim if the repayment is necessary for the settlement of liabilities to third parties.

(3) The limitation period for claims referred to in paragraph (1) of this Article shall begin on the date of the company's registration.

(4) The persons for whose account contributions have been acquired by the Company Members shall be liable in the same way as the members and managers referred to in paragraph (1) of this Article. These persons may not claim ignorance of the circumstances of which the Company Member acting for their account was or should have been aware in accordance with the diligence of a good business professional.

Section 2
RELATIONS BETWEEN THE COMPANY AND ITS MEMBERS

Article 480
(Shareholding and its parts)

(1) A shareholding may belong to one or more persons. If it belongs to more than one person, these persons shall jointly exercise the rights and shall be jointly liable for the obligations deriving from the shareholding.

(2) The Company Members who hold the same shareholding may agree to hold it in equal or different shares.

(3) Legal acts by the company against the holders of the same shareholding shall be effective for all holders, even if such legal acts are only taken against one of them.

(4) Holders of the same shareholding may exercise their rights and meet their obligations through a joint representative.

Article 481
(Transfer of shareholding)
(1) Shareholdings may be subject to disposal and succession.

(2) If a Company Member acquires one or more additional shareholdings, all shareholdings shall remain independent.

(3) The disposal of a shareholding shall require a contract drawn up in the form of a notarial deed.

(4) Unless otherwise provided by the memorandum of association, the Company Members shall have priority over other persons in the purchase of a shareholding under equal conditions.

(5) A Company Member who intends to sell his shareholding shall notify the other Company Members of his intention and of the terms and conditions of the sale in writing, and shall invite them to notify him/her of their willingness to buy his shareholding within one month of receipt of the notification.

(6) If more than one member is prepared to buy the shareholding, all buyers shall become joint holders of the shareholding.

(7) The memorandum of association may determine that the disposal of a shareholding to persons other than Company Members shall require the consent of the majority or all Company Members and determine the conditions for the issue of such consent.

(8) If none of the Company Members is prepared to buy shareholding, and the Company Members have not given their consent to the sale of the shareholding to a person other than a Company Member, a Company Member may withdraw from the company.

**Article 482**

*(Position of the transferor and acquirer of a shareholding)*

(1) Only the person who reports and demonstrates the acquisition of a shareholding to the manager shall be deemed to be the acquirer of a shareholding.

(2) Legal acts performed by the company against the transferor of a shareholding or legal acts performed by the transferor of a shareholding against the company and which concern legal relations within the company shall take effect as actions against the acquirer of a shareholding or against the acquirer's actions.

(3) The transferor and the acquirer of a shareholding shall be jointly and severally liable to the company for liabilities of the company that matured prior to the notification of the transfer of the shareholding.

**Article 483**

*(Disposal of a part of the shareholding)*

(1) A Company Member may dispose of a part of his shareholding and thus create a new stand-alone shareholding.

(2) The value of the remaining shareholding and the value of the new shareholding may not be less than value specified in Article 475 of this Act.

(3) The provisions of paragraphs (3) to (7) of Article 481 of this Act shall apply, *mutatis mutandis*, to the disposal of a part of a shareholding.
(4) The division of a shareholding shall not be permitted except in the case of disposal, the division of the common property of spouses, or inheritance. The memorandum of association may prohibit the division of shareholdings.

Article 484

(Method of payment of capital contributions)

(1) The method of payment of capital contributions by the Company Members shall be determined by contract. Unless otherwise provided, they shall all pay in a proportionate part of their capital contributions in accordance with Article 475 of this Act.

(2) A Company Member may not be exempt from paying a capital contribution nor may he/she offset his claims against the company’s request for payment of capital contributions.

(3) When the share capital is reduced, the Company Members may be exempt from paying in their capital contributions; however, up to a maximum amount that is proportionate to the reduction in the share capital.

Article 485

(Default interest)

A Company Member who fails to pay the required amount of capital contribution on time shall be liable to pay default interest.

Article 486

(Exclusion of a Company Member in arrears with payment)

(1) The company may send a written request to a member who is in arrears with payment of his capital contribution in whole or in part to honour his obligations within a time limit of no less than one month. The same written request shall simultaneously notify the Company Member that he/she will be excluded from the company in respect of the capital contribution to which the payment relates.

(2) If the time limit referred to in the preceding paragraph expires and the Company Member fails to comply with his obligation, the Company Member's shareholding and partial payments already made shall be transferred in full to the company with notification in writing to the Company Member.

(3) The Company Member's liability for payment shall continue even after the delay. This shall not preclude his liability for damages.

Article 487

(Liability of the late payer's predecessors)

(1) Direct predecessors of the excluded Company Members, which have been notified to the company, and all previous predecessors shall be liable for payment of the amount of the capital contribution that has remained unpaid by the excluded Company Members.

(2) Payment shall first be requested from a Company Member's direct predecessor. If the direct predecessor fails to make payment within one month of receipt of the request, payment may be requested from his predecessor.

(3) The period of limitation in respect of the late payer's predecessors shall commence on the date of notification of the transfer of the shareholding to the company in accordance with Article 482 of this Act.
(4) The late payer's predecessor shall acquire the excluded Company Member's shareholding on payment of the late payment amount.

Article 488

(Auction of shareholdings)

When the late payer's predecessors cannot be requested to settle the late payment amount, the company may sell the late payer's shareholding at a public auction. A different method of selling of shareholdings shall only be possible with the consent of the excluded Company Member.

Article 489

(The Company Members' liability for payment)

If a capital contribution is not paid by the persons liable for payment, or if it is not paid though the sale of a capital contribution, the other Company Members shall pay in their capital contributions in proportion to the amount of their shareholdings. If it is impossible to request payment from some of the Company Members, the liability of the other Company Members shall increase in the same proportion.

Article 490

(Cogent provisions)

A company may not exempt a member from his liabilities referred to in Articles 486 to 489 of this Act under the provisions of the memorandum of association of by decision.

Article 491

(Subsequent payments)

(1) The memorandum of association may determine that the Company Members shall be obliged to make subsequent payments in addition to their capital contributions. Subsequent payments can be in cash or non-cash forms. The provisions of paragraph (3) of Article 475 of this Act shall apply, mutatis mutandis, to subsequent non-cash payments. The memorandum of association may determine that the Company Members adopt a resolution on subsequent payments. This resolution shall be adopted unanimously.

(2) Subsequent payments by the Company Members shall be in proportion to their shareholdings, and the memorandum of association may determine their maximum amount.

(3) Subsequent payments shall not be used to increase the share capital, capital contributions or shareholdings.

Article 492

(Delay in subsequent payment)

(1) Unless otherwise provided by the memorandum of association in respect of a Company Member's failure to comply with his subsequent payment obligation, the provisions of Articles 485 to 489 of this Act shall apply, mutatis mutandis, to the delay in subsequent payment.

(2) The memorandum of association may provide that subsequent payments be required before capital contributions have been paid in full.

Article 493
(Obligations of the company towards its members)

(1) The memorandum of association may provide that the company shall be obliged to give, perform, permit or relinquish something in favour of one or more of its members.

(2) The company's obligation referred to in the preceding paragraph shall not be contrary to the provisions of Articles 486 to 489 and Article 495 of this Act.

Article 494

(Appropriation of distributable profit)

(1) The Company Members shall be entitled to a share of distributable profits as determined in the annual balance sheet unless, otherwise provided by the memorandum of association.

(2) The profits shall be distributed in proportion to the amount of shareholdings unless otherwise provided by the memorandum of association.

Article 495

(Maintenance of the share capital)

(1) The assets required for the maintenance of the share capital and tied-up reserves shall not be paid to the Company Members.

(2) Subsequent payments that do not serve to cover the share capital in the event of a loss may be refunded to the Company Members. No refund shall be made until after three months from the date on which the resolution on the refund is published in the prescribed manner. In the case of subsequent payments made prior to the payment of the capital contributions referred to in paragraph (2) of Article 492 of this Act in full, any refund of subsequent payments before the full payment of capital contributions shall be null and void. Refunded subsequent payments shall be considered not to have been made.

Article 496

(Refund of prohibited payments)

(1) Payments made in contravention of the preceding Article shall be refunded to the company.

(2) Where the recipient acted in good faith, a refund may only be claimed if it is essential for meeting the company's liabilities towards its creditors.

(3) If no refund can be claimed from the recipient, the other Company Members shall guarantee the amount to be refunded and required in order to meet the company's liabilities in proportion to their respective shareholdings. The amounts that cannot be claimed from a particular Company Member shall be divided among the other Company Members in proportion to their respective shareholdings. If ineligible payments are also made by the managers, the managers shall be liable in the same way as the Company Member with the largest shareholding.

(4) Persons obliged to make a payment under the preceding paragraphs may not be exempted from their obligation to pay.

(5) The period of limitation in respect of claims for refund shall commence on the date of ineligible payment.

Article 497
(Repayment of profits)

Under no circumstances shall the Company Members be liable to repay the sums they received in good faith as a share in the profits, except in the case referred to in paragraph (1) of the preceding Article.

Article 498

(Loans to the company instead of own capital)

(1) A member who granted a loan to the company instead providing it with his own capital, acting with due care and diligence, may not pursue a claim against the company for repayment of the loan in bankruptcy or compulsory settlement proceedings. Such a loan shall be deemed to form a part of the company’s assets in bankruptcy or compulsory settlement proceedings.

(2) A third party who, during the period the Company Members acting with due diligence and care granted the company a loan instead of providing it with their own capital, and who was given collateral by a Company Member for the repayment of the loan, or if a Company Member undertook to stand as a guarantor, may only claim payment in bankruptcy or compulsory settlement proceedings for the difference that this person has not or would have not received for the collateral or the guarantee.

(3) The provisions of this Article shall also apply to other legal acts by a Company Member or a third party, which are financially equivalent to the granting of a loan.

(4) A loan to the company instead of own capital shall not be deemed a third party's failure to exercise its right to request collateral or its right to terminate the contract and have the loan repaid.

Article 499

(Repayment of loan prior to the commencement of bankruptcy or compulsory settlement proceedings)

(1) If, in the cases referred to in the preceding Article, a company repays a loan in the year prior to the commencement of bankruptcy or compulsory settlement proceedings, the Company Member who granted the loan, provided insurance, or stood as guarantor shall compensate the company for the repaid loan amount. The Company Member shall only be liable up to the loan amount or to the amount for which the Company Member provided the guarantee or up to the value of the collateral on the repayment of the loan. The member shall be free from this obligation if he/she makes the items given as collateral to a creditor freely available to the company for repayment.

(2) The provisions of the preceding paragraph shall also apply to other legal acts that are financially equivalent to the granting of a loan.

Article 500

(Own shares)

(1) A company may not acquire or receive in pledge its own shares for which contributions have not been paid in full.

(2) A company may acquire for consideration its own shares for which contributions are fully paid in, but may not make payments to acquire such own shares until it has created reserves for its own shares in accordance with paragraph (5) of Article 64 of this Act. The
provisions of the preceding sentence shall also apply, mutatis mutandis, regarding the pledging of own shares.

(3) The provisions of Article 496 of this Act shall apply, mutatis mutandis, regarding payments made in contravention of paragraph (2) of this Article.

(4) A company may not acquire all shares.

Article 501  
(Exclusion and withdrawal of a Company Member)

The memorandum of association may determine that a Company Member may withdraw or be excluded from the company and lay down the conditions, the procedure and the consequences of withdrawal or exclusion. The provision of paragraph (3) of Article 506 of this Act shall not apply if the decision to exclude a Company Member is made by the general meeting in accordance with the provisions of the memorandum of association.

(2) Notwithstanding the preceding paragraph, a Company Member may take legal action to exercise his right to withdraw from the company if good reasons exist for doing so, particularly when the other Company Members or the manager cause damage to him, when the company or the Company Members hinder or prevent the exercise of the Company Member’s right to withdraw, when the Company Member is prevented from exercising the rights he/she enjoys according to the law or according to the memorandum of association, or when the general meeting or the managers impose disproportionate burdens on him.

(3) Notwithstanding paragraph (1) of this Article, any Company Member may take legal action to exclude another Company Member from the company if good reasons exist for doing so, particularly when the other Company Member is causing damage to the company or other Company Members, when he/she acts contrary to the resolutions of the general meeting, when he/she fails to participate in the management and thereby hinders the company's normal course of operations or the exercise of the rights of the other Company Members, or when he/she otherwise commits a serious violation of the memorandum of association.

(4) A Company Member may not waive the rights referred to in paragraphs (2) and (3) of this Article in advance.

Article 502  
(Termination of shareholding due to withdrawal or exclusion of a Company Member)

(1) The withdrawal or exclusion of a Company Member shall result in the termination of his shareholding and all the rights and obligations associated with it.

(2) The other Company Members shall do the following within three months of the withdrawal or exclusion of a Company Member:

– adopt a resolution to reduce the share capital by an amount equalling the nominal value of the capital contribution that represents the shareholding to be terminated in accordance with the preceding paragraph; or

– acquire new capital contributions or increase their capital contributions in proportion to the extent of their existing shareholdings so that the amount of the share capital equals the share capital amount before the termination of the shareholding in accordance with paragraph (1) of this Article.
(3) The provisions of Article 520 of this Act shall apply, *mutatis mutandis*, to the reduction in the share capital referred to in the first indent of the preceding paragraph. The provisions of paragraphs (3) and (4) of Article 517 of this Act shall apply, *mutatis mutandis*, to the acquisition of capital contributions or to the increase in capital contributions in accordance with the second indent of paragraph (2) of this Article.

(4) If the remaining Company Members fail to adopt a resolution referred to in the first or second indent of paragraph (2) of this Article within three months of the withdrawal or exclusion of a Company Member, they shall be deemed to have adopted a resolution to reduce the share capital referred to in the first indent of paragraph (2) of this Article and the manager shall act in accordance with Article 520 of this Act.

(5) A Company Member who withdraws from the company shall be entitled to a refund of the estimated amount of his shareholding at the time of withdrawal. The company shall pay him/her this amount no later than within three years of the withdrawal date, plus interest at the rate at which interest is paid on bank demand deposits. A Company Member who made a non-cash contribution to the company may request the restitution of the things or rights that were the subject matter of the contribution instead of such payment, provided that the value of these things or rights does not exceed the estimated value of the shareholding; however, this request may not be made earlier than within three months of the withdrawal.

(6) A Company Member that has been excluded from the company shall be entitled to a refund of the estimated amount of his shareholding at the time of exclusion. The company shall pay him/her this amount no later than within six years of the exclusion date plus interest at the rate at which interest is paid on bank demand deposits. If the company or the remaining Company Members request compensation from the excluded Company Member, the company may withhold the repayment of the estimated amount of the Company Member's shareholding until the final decision is made on the compensation claim, or until a settlement is reached between the company and the excluded member.

(7) The payment of the estimated amount of the shareholding in accordance with paragraphs (5) or (6) of this Article or the restitution of the subject of a non-cash contribution in accordance with paragraph (5) of this Article may only be effected after the registration of the share capital reduction or after the registration of the amendments to the provisions of the memorandum of association relating to the change in the shareholdings of the Company Members in accordance with the second indent of paragraph (2) of this Article.

**Article 503**

*(Legal action by a Company Member)*

(1) A Company Member may bring legal action on his own behalf or on behalf of the company against a Company Member who fails to meet his obligations associated with the formation or the management of the company.

(2) A Company Member shall only be entitled to bring legal action referred to in the preceding paragraph provided that he/she has unsuccessfully requested another Company Member to meet his obligations, or notified the company of the other Company Member's failure to comply with his obligations, and:

– if he/she has proposed to the general meeting to adopt a resolution to bring such legal action and the general meeting rejected his proposal;

– if the general meeting adopts such resolution but fails to appoint a special representative for bringing legal action if necessary; or
– the general meeting adopts such resolution but the manager or the special representative fail to bring legal action.

(3) A Company Member shall also be entitled to bring the legal action referred to in paragraph (1) of this Article against the manager who failed to meet his obligations in respect of the management of the company. The provisions of the preceding paragraph shall apply, *mutatis mutandis*, to the legal action against the manager.

(4) The legal costs and the costs of the special representative shall be covered by the company. The court shall issue a decision imposing on the company the obligation to provide an advance payment for such costs. If the company fails to provide the advance payment, the court shall collect it *ex officio*. If the legal action is unjustified, the company may, in accordance with the general rules on damage liability, request reimbursement of costs from the Company Member who brought the legal action referred to in paragraph (1) of this Article.

Section 3
CORPORATE GOVERNANCE

Article 504
(Rights of Company Members)

(1) The Company Members’ rights relating to corporate governance and the manner in which those rights are exercised shall be set out in the memorandum of association unless otherwise provided by the law.

(2) If the memorandum of association contains no provisions on corporate governance, the provisions of Articles 505 to 510 of this Act shall apply.

Article 505
(Decision-making by Company Members)

The Company Members shall decide on the following matters:

– the adoption of the annual report and appropriation of distributable profit;
– requests for payment of capital contributions;
– refunds of subsequent payments;
– the division and termination of shareholdings;
– the appointment and discharge of managers;
– measures to review and supervise the work of managers;
– the appointment of a procuration holder and a proxy;
– the pursuit of the company’s claims against the managers or members in connection with reimbursement for damage caused in the incorporation or management of the company;
– the representation of the company in judicial proceedings against the managers;
– other matters where so determined by this Act or by the memorandum of association.

Article 506
(Voting rights)

(1) Every whole EUR 50 of capital contribution shall secure the Company Members one vote each. The memorandum of association may determine that some members may have a higher number of votes for every whole EUR 50 of capital contribution or that the voting rights of some members shall be restricted.

(2) A proxy authorised in writing may vote on behalf of a Company Member.

(3) Where a resolution of the general meeting relates to the exemption of a Company Member from an obligation, or to legal transactions, or to the commencement or termination of a dispute with a Company Member, that Company Member shall not vote in that matter or exercise the voting right on behalf of another person.

(4) A company may not exercise its voting rights deriving from its own shares.

Article 507

(The general meeting)

(1) Company Members shall adopt resolutions at a general meeting.

(2) The Company Members may decide by means of a written statement not to hold a general meeting. A resolution to this effect shall be adopted by all the members. In this case, the members shall send their votes to the manager in writing, by telephone, by cable or by other similar technical means.

Article 508

(Calling a general meeting)

A general meeting shall be called by the manager in the following cases:

– when the Company Members are to decide the matters referred to in Article 505 of this Act;

– when it is necessary for the interests of the company;

– if the annual balance sheet or an interim balance sheet shows that one half of the share capital has been lost;

- in other cases provided by law or the memorandum of association.

Article 509

(The manner of calling a general meeting)

(1) The general meeting shall be called by sending an invitation by registered mail to all Company Members, which shall also include the agenda of the general meeting, at least 25 days before the general meeting.

(2) If a general meeting is not convened properly, it may only adopt valid decisions if all the Company Members are present.

(3) The provision of the preceding paragraph shall also apply to the resolutions on matters that were not announced in the manner prescribed for the calling of a general meeting at least three days before the general meeting.

Article 510
Quorum and voting at a general meeting

1. The general meeting shall adopt valid decisions if sufficient Company Members are present to constitute a majority of the votes in accordance with the provision of paragraph (1) of Article 506 of this Act.

2. Unless otherwise provided by the law or by the memorandum of association, the Company Members shall make decisions at the general meeting by a majority of the votes cast.

3. The memorandum of association may determine that the invitation to the general meeting shall also indicate an alternative date for the general meeting if the previously convened general meeting does not have a quorum; the newly convened general meeting shall adopt valid resolutions notwithstanding the number of the Company Members present.

4. The alternative date of the general meeting shall not be sooner than the business day following the original date on which the general meeting should have taken place.

Article 511

Rights of minority shareholders

1. The Company Members whose shareholdings account for at least one tenth of the share capital may require a general meeting to be held. In their request, they shall indicate the matters that the general meeting should decide and the reasons for the calling the general meeting.

2. The Company Members that meet the conditions set out in the preceding paragraph may require a vote on a particular matter to be included in the agenda of the general meeting that has already been convened.

3. The Company Members referred to in paragraph (1) of this Article may call a general meeting or include a matter on the agenda by themselves if their request referred to in the preceding paragraphs has not been accepted, or if persons to whom the request should have been addressed are absent.

4. The general provisions of this Section shall apply to a general meeting called in accordance with the provisions of this Article. A general meeting so convened shall also decide whether the company is to bear the costs of calling the general meeting or expanding the agenda.

Article 512

Company Members’ right to information and the right to examine the company’s books and records

1. The manager shall inform a Company Member at his request of the company's affairs and allow him/her to examine the company’s books and records.

2. The manager may refuse a request for information or inspection if the Company Member would be likely to use the information obtained for a purpose that would be in conflict with the interests of the company, thereby causing significant damage to the company or to its affiliated company. The final decision on the refusal of such request shall be made by the Company Members.

Article 513
(Court decision on the right to information and on the right to examine the company's books and records)

A Company Member who has been denied information or who has not been allowed to examine the company's books and records, or whose request was refused by the manager in violation of paragraph (2) of the preceding Article may request the court to issue a decision permitting him/her to receive the information or to examine the company's books and records.

Article 514
(The Supervisory Board)

If the memorandum of association provides that the company shall have a supervisory board, the provisions on the supervisory board of a public limited company shall apply, *mutatis mutandis*, to the supervisory board unless otherwise provided by the memorandum of association.

Article 515
(The manager)

(1) A company shall have one or more managers (directors) who shall manage the company's operations and represent the company at their own responsibility.

(2) The memorandum of association may provide that a manager shall be appointed for a fixed period of time of no less than two years. The same person may be reappointed as the manager.

(3) The general meeting may discharge the manager at any time, notwithstanding whether the manager has been appointed for a fixed period or indefinite period of time. The memorandum of association may determine that the manager shall only be discharged for the reasons specified therein. The rules regulating contractual obligations shall be applied to decide claims based on a contract for the performance of managerial duties.

(4) If the company has a supervisory board, the manager shall be appointed and discharged by the supervisory board.

(5) A company may have more than one manager. The memorandum of association shall determine whether the managers shall act jointly or individually.

(6) The provisions of paragraph (2) of Article 255 and Article 263 of this Act shall apply, *mutatis mutandis*, to the manager.

(7) The provisions of Article 264 of this Act shall apply, *mutatis mutandis*, to the damage liability due to the influence of third parties.

Section 4
AMENDMENTS TO THE MEMORANDUM OF ASSOCIATION

Article 516
(Resolution by the Company Members)

(1) The Company Members shall decide to amend the memorandum of association at a general meeting by a three-quarter majority of the votes of all members. The memorandum of association may set out other requirements for a valid decision.
(2) A resolution to amend the memorandum of association, with the exception of the change in the registered office, corporate name or activity, shall be notarised.

(3) If an amendment to the memorandum of association increases the Company Members' obligations towards the company, the resolution shall be adopted by all members, except in the case of an increase in the share capital.

(4) The manager shall notify the reduction in the share capital for registration. The application for registration shall be accompanied by the consolidated text of the memorandum of association together with a notary’s confirmation that the amended provisions of the memorandum of association correspond to the resolution to amend the memorandum of association. If permission from a state or other authority is required to amend the memorandum of association, a document demonstrating the relevant permission shall be submitted together with the application.

(5) Notwithstanding the provision of the preceding paragraph, the consolidated text of the memorandum of association, printed on a new form that matches the attached resolution to amend the memorandum of association, shall be submitted together with the notification of the amendment to the memorandum of association signed on a special form referred to in paragraph (1) of Article 474 of this Act. If the resolution to amend the memorandum of association defines the elements of the memorandum of association that are not supported by the contents of the form, the consolidated text of the memorandum of association shall be signed on a notarial deed form.

(6) Amendments to the memorandum of association shall become effective on the date of registration.

Article 517

(Increase in the share capital)

(1) The general meeting may decide to increase the share capital.

(2) The share capital may be increased through capital contributions or from the company's assets.

(3) If the pre-emptive right to acquire new shareholdings is not excluded by the resolution to increase the share capital, the existing Company Members shall have the pre-emptive right to acquire new shareholdings in proportion to their existing shares in the share capital. The time limit for exercising this right shall be 14 days from the date of the general meeting that adopted the resolution to increase the share capital. The provisions of paragraphs (4) and (5) of Article 337 of this Act shall apply, mutatis mutandis, to the exclusion of the pre-emptive right.

(4) The current Company Members shall acquire new and independent shareholdings on the registration date of the increase in the share capital. The provisions of Article 475 of this Act shall apply, mutatis mutandis, to the increase in the share capital.

(5) In the case of increase in the share capital from the company's assets, the capital contributions of the existing Company Members shall be increased in proportion to their shares in the existing share capital. The provisions of Articles 358 and 359 and of paragraph (1) of Article 360 of this Act, with the exception of the provisions on the balance sheet audit, shall apply, mutatis mutandis, in respect of increase in the share capital from the company's assets when the company is not liable to have its annual reports audited.

Article 518

(Non-cash contributions)
The provisions on non-cash contributions in the formation of a company shall apply, *mutatis mutandis*, to the increase in the share capital through the delivery of one or more non-cash contributions.

**Article 519**

*(Acquisition of new contributions)*

The contributions constituting the increased share capital may be acquired by any of the existing Company Members or by a new Company Member or jointly by all the Company Members. The acquisition shall be made in the form of a notary deed.

**Article 520**

*(Reduction in the share capital)*

(1) The general meeting may decide to reduce the share capital.

(2) A reduction shall only be valid:

– if the manager publishes the resolution to reduce the share capital at least twice and calls on the creditors in his announcement to contact the company and declare whether they agree with the share capital reduction; unknown creditors shall sent a direct invitation to do so; or

– if the company settles the claims of creditors that disagreed with the share capital reduction or provides them with collateral.

(3) A reduction in the share capital may be announced for registration only after one year from the date of publication of the last announcement referred to in the first indent of the preceding paragraph, and after the manager has submitted evidence that the company has settled the claims of creditors or provided them with the collateral referred to in the second indent of the preceding paragraph.

(4) A reduction in the share capital shall not be contrary to the provisions of Article 475 of this Act.

(5) A reduction in the subscribed capital may also be carried out under a simplified procedure. The provisions of paragraphs (1), (2) and (3) of Article 379 of this Act shall apply, *mutatis mutandis*, to such reduction in the share capital.

(6) Share capital may also be reduced by withdrawal of shareholdings. The provisions of Articles 381 to 383 of this Act shall apply, *mutatis mutandis*, to such reduction in the share capital.

**Section 5**

**WINDING-UP OF A COMPANY**

**Article 521**

*(The grounds for winding-up)*

(1) A company shall be wound up:

– upon the expiry of the period of time for which it was incorporated;
– by resolution of the general meeting, which shall be adopted with a majority of at least three-quarters of the share capital represented at the general meeting; a larger majority shareholding and other requirements may be stipulated by the memorandum of association:

– if the court establishes the invalidity of a company limited by shares;

– in the case of bankruptcy;

– by court decision in accordance with paragraph (2) of this Article;

– by merger with another company; or

– if the company's share capital is reduced below the statutory minimum amount.

(2) Any member whose shareholding accounts for at least one tenth of the share capital may take legal action requesting the court to wind up the company if he/she believes that a satisfactory achievement of the company's objectives is not possible or that some other good reasons exist for the winding-up of the company.

Section 6
USE OF PROVISIONS ON PUBLIC LIMITED COMPANIES

Article 522
(Application mutatis mutandis)

The provisions of this Act on public limited companies shall apply, mutatis mutandis, to the liquidation procedure, the winding-up under simplified procedure, and establishing the nullity and voidability of the resolutions of the general meeting.

Section 7
SINGLE MEMBER COMPANY

Article 523
(Incorporation)

(1) If a company is established by a single person (hereinafter: Founder), such person shall adopt a memorandum of association that need not be drawn up as a notarial deed. The memorandum of association can also be adopted on a special form in written or electronic form.

(2) The minister responsible for the economy shall prescribe the form and contents of the special form of the memorandum of association.

(3) A single-member company shall be subject to the rules on limited liability companies unless otherwise provided in this section.

Article 524
(Payment of capital contributions)

(1) If, before the company has been notified for registration, the Founder has not fully paid in the cash portion of his capital contribution, he/she shall provide appropriate collateral to the company for the unpaid portion.
(2) The founder shall submit documentary evidence of such collateral to the court on the application for registration.

(3) If all shareholdings are held by a single Company Member or by a Company Member and the company within three years of the company’s registration, the Company Member shall pay all capital contributions in full, or provide appropriate collateral to the company within three months of the acquisition date.

**Article 525**

**(Validity of legal transactions)**

(1) Legal transactions entered into by the sole Company Member on behalf of the company with himself as the opposing party shall be recorded in writing, in which case the company shall have no need for a mediator in a conflict of interests.

(2) The provision of the preceding paragraph shall not apply to legal transactions concluded as a part of the company's normal course of operations.

(3) The provisions of this Article shall also apply, mutatis mutandis, to a single shareholder public limited company.

**Article 526**

**(Corporate governance)**

(1) The Founder shall independently decide on the issues referred to in Article 505 of this Act.

(2) The founder shall keep a register of all decisions on issues referred to in Article 505 of this Act. Decisions not entered in the register of resolutions shall have no legal effect.

(3) The provisions of the preceding paragraph shall not apply to resolutions adopted by the Founder on the formation of the company and for which the Founder's signature has been authenticated by the OSS point or a notary public who electronically submits an application for registration of the company on behalf of the Founder.

(4) The Founder shall enter the resolutions referred to in paragraph (2) of this Article:

1. in a register of resolutions in paper form to be authenticated by a notary public prior to the registration of the first resolution; or

2. in an electronic register of resolutions kept by the Notaries' Association.

(5) The Notaries' Association shall lay down a detailed method of keeping the register of resolutions in agreement with the ministers responsible for the economy, justice and public administration.

**PART IV**

**ASSOCIATED COMPANIES**

**Chapter One**

**GENERAL PROVISIONS**

**Article 527**

**(Types of associated companies)**
Associated companies shall be legally independent companies that are in a mutual relationship in which:

– one company has a majority share in the other company (a majority-owned company and a company with a majority share);
– one company is dependent on the other (the controlled and the controlling company);
– they are members of a group;
– the two companies have mutual equity participation; or
– the companies are associated by contract.

Article 528

(Majority-owned companies and companies with a majority interest)

(1) If the majority of shares in a legally independent company or the majority of the voting rights (majority interest) are held by another company, that company shall be deemed to be a majority-owned company and the other company shall be deemed to be the company with a majority interest.

(2) The shares held by a company that belong to another company shall be determined on the basis of the ratio between the sum of the nominal values of its par value shares, and the nominal value of its capital contributions and the amount of the share capital. In a company with no-par value shares, such shares shall be determined according to the ratio between the number of no-par value shares and the total no-par value shares issued. Own shares shall be deducted from the subscribed capital. The shares belonging to another person for the account of the company shall be treated in the same way the company's own shares.

(3) The voting rights held by a company shall be established on the basis of the ratio between the number voting rights that the company may exercise based on its shares and the total amount of all voting rights. The voting rights based on the company's own shares as well as the shares belonging to other persons for the account of the company shall be deducted from the total number of all voting rights.

(4) The shares held by a controlled company or by another person for the account of a company or for the account of a company controlled by that company, and the shares representing the company owner's assets shall also be deemed to be the shares of a company with a majority interest if the owner of the company is a business person.

Article 529

(The controlled and the controlling company)

(1) A controlled company shall be a legally independent company that is directly or indirectly controlled by another company (the controlling company).

(2) A majority-owned company shall be deemed to be controlled by a company that holds a majority interest in it.

Article 530

(The group and the group companies)

(1) A group shall consist of:
– a controlling company and one or more controlled companies associated under the single management of the controlling company (de facto group);

– companies connected under a control agreement (contractual concern); or

– legally independent companies associated under a single management without the companies being mutually dependent (equality based group).

(2) It shall be presumed that a controlled company and a controlling company together constitute a group.

(3) Companies that are included in a group and associated under a single management shall be deemed to be group companies.

Article 531

(Companies with mutual equity participation)

(1) Companies with mutual equity participation shall be companies limited by shares that are established in the Republic of Slovenia and are associated by virtue of the fact that each company holds more than one-quarter of the shares in the other company. The extent of each company's participation in the other company shall be determined in accordance with the provisions of paragraphs (2) and (4) of Article 528 of this Act.

(2) If one of the companies has a majority share in the other company or if it controls the other company directly or indirectly, the first company shall be the controlling company and the other one the controlled company.

(3) If each of the companies has a majority share in the other company, or if the companies can exercise direct or indirect control of each other, the two companies shall both be deemed to be the controlling and the controlled companies.

Article 532

(The duty to notify and the consequences of the violation of this duty)

(1) As soon as a company acquires more than one-quarter of the shares or holdings in another company limited by shares established in the Republic of Slovenia, it shall notify this fact to the company forthwith in writing.

(2) As soon as a company acquires a majority share in another company, it shall notify this fact to the company forthwith in writing.

(3) If the extent of this share no longer requires notification to the other company, the other company shall be notified forthwith thereof.

(4) The company that receives such notification shall publish it without delay.

(5) The company that receives such notification may require a proof of equity participation.

(6) A company, a company controlled by this company, or other person acting on behalf of a company or a company controlled by this company may not exercise its rights deriving from shares and holdings in a company that it is obliged to notify until the company has done so.

(7) This Article shall not apply to companies that are subject to the provisions of the act governing the financial instruments market on obligations concerning the information on significant interests in the company.
Article 533
(Control and profit transfer agreements)

(1) An agreement by which a company's management is subordinated to another company shall be a control agreement.

(2) An agreement by which a company undertakes to transfer its entire profit to another company shall be a profit transfer agreement. An agreement by which a company assumes the obligation to manage itself on behalf of another company (business conduct agreement) shall also be deemed to be a profit transfer agreement.

(3) If mutually independent companies sign an agreement establishing single management without any one of them becoming a company controlled by the other company that is a signatory to this agreement, this agreement shall not be deemed to a control agreement.

(4) Payment made by a company under the control agreement or the profit transfer agreement shall not constitute a violation of Articles 227 and 230 of this Act.

Article 534
(Other business agreements)

(1) Business agreements shall include agreements by which a company:

– undertakes to merge its profit or the profit of its individual establishments, in part or in whole, with the profit of other companies or individual establishments of other companies in order to distribute a joint profit;

– undertakes to transfer its profit or the profit of its individual establishments, in full or in part, to another person (partial profit transfer agreement); or

– undertakes to lease out one of its establishments to another person or to surrender it in some other manner (contract of lease of an establishment, contract to surrender an establishment).

(2) A profit-sharing agreement within the framework of the current business agreement or licence agreements shall not be deemed as a partial profit transfer agreement.

Article 535
(Approval of a business agreement by the general meeting)

(1) A business agreement shall not enter into force until after it has been approved by the general meeting. A valid resolution shall require the majority of at least three quarters of the share capital represented at the general meeting. A larger majority shareholding and other requirements may be stipulated by the articles of association.

(2) The agreement shall be presented to the general meeting in writing. Each shareholder shall be provided with a copy of the agreement immediately upon request. The management shall explain the contents of the agreement at the beginning of the discussion. The contract shall be attached to the minutes as a supplementary document.

(3) At the general meeting that decides on the approval to a control agreement or a profit transfer agreement, explanations shall be provided at the request of any shareholder on all matters of importance to the company with which the agreement is to be concluded.

Article 536
(Registration)

(1) A representative of the company shall notify the type of the agreement, the full name and or the corporate name of the other contracting party for entry in the register, and, in the case of partial profit transfer agreements, also the agreement on the amount of the profit transferred. The application shall be accompanied by a copy of the agreement and, if the effective date of the agreement is after the other contracting party has been approved by the general meeting, also the minutes containing the resolution and the original or certified copies of the supplementary documents to the minutes.

(2) An agreement shall enter into force only after it has been registered.

Article 537

(Amendments to a business agreement)

(1) A business agreement may be amended only with the approval of the general meeting, in accordance with the provisions of Articles 535 and 536 of this Act.

(2) The general meeting shall validly approve the amendments to the provisions by which the company undertakes to pay a compensation to shareholders who are simultaneously not shareholders of the company that has become a controlling company under the contract (external shareholders), or to acquire their shares subject to a separate resolution by these shareholders. The provision of paragraph (1) of Article 535 of this Act shall apply to such special resolutions. At the general meeting that decides on the granting of the approval, each external shareholder shall be given explanations of all matters concerning the other contracting party that are relevant to the amendment of a business agreement.

Article 538

(Rescission of business agreements)

(1) A business agreement may be rescinded only at the end of the financial year or other accounting period set out in the agreement. An agreement may not be rescinded with retroactive effect.

(2) The agreement shall be rescinded in writing.

(2) An agreement that binds the company to pay compensation to external shareholders or to acquire their shares shall only be rescinded if these shareholders give their approval by means of an extraordinary resolution. The provision of paragraph (1) of Article 535 of this Act shall apply, mutatis mutandis, to such special resolutions.

Article 539

(Termination of business agreements)

(1) A business agreement may be terminated when good reason exists to do so, notwithstanding the notice of termination of the agreement. Good reason shall exist particularly when it is anticipated that the other contractual party will be unable to meet its contractual obligations.

(2) An agreement that binds the company's management to pay compensation to external shareholders or to acquire their shares shall be rescinded with no good reason, only provided that these shareholders give their approval by means of an extraordinary resolution. The provision of paragraph (1) of Article 535 of this Act shall apply, mutatis mutandis, to such special resolutions.
(3) The agreement shall be terminated in writing.

Article 540

(Notification and registration of the termination of business agreements)

A representative of the company shall notify the termination of a business agreement as well as the reason and the time of the termination for entry in the register.

Chapter Two

MANAGEMENT AND LIABILITY OF THE CONTROLLING COMPANY

Section 1

MANAGEMENT AND LIABILITY UNDER THE CONTROL AGREEMENT

Article 541

(The right to manage)

(1) In accordance with the control agreement, the controlling company shall have the right to give the controlled company instructions on how to conduct its business. Unless otherwise provided by the contract, instructions that are detrimental to the company may also be given if they are beneficial to the interests of the controlling company or the companies affiliated with it.

(2) The management of the controlled company shall fulfil the controlling company's instructions and may not refuse to carry them out even if, in its opinion, they are not beneficial to the interests of the controlling company or the companies affiliated with it.

(3) If the controlled company is instructed to carry out a transaction that requires the approval of the supervisory board and that approval is not given within an appropriate time limit, the management shall notify the controlling company thereof. If the controlling company repeats its instruction following such notification, the approval of the supervisory board shall no longer be required; if the controlling company has a supervisory board, the controlling company may only repeat the instruction with the approval of its supervisory board.

Article 542

(Liability of a controlling company)

(1) The controlling company shall offset any annual loss incurred by a controlled company during the period of the agreement unless it has been not settled from other revenue reserves to which profit has been allocated during the period of the agreement. The same shall apply to a profit transfer agreement.

(2) If a controlled company leases out one of its establishments to the controlling company or surrenders it to the controlling company in some other manner, the controlling company shall offset any annual loss incurred during the period of the contract if the agreed consideration is insufficient to cover such loss.

Article 543

(Liability of representatives of a controlling company)

(1) Representatives of a controlling company shall give instructions with proper care and diligence.
(2) If they are in breach of their obligations, they shall be jointly and severally liable for the damage caused to the company. In the event of doubt as to whether they have fulfilled their obligations with due care and diligence, they shall be required to provide appropriate evidence.

(3) The company’s claims for damages may also be pursued by any of its shareholders or members; however, they may only claim payment for the company. Claims for damages may also be pursued by the company’s creditors if the company is unable to repay its obligations.

(4) Claims against representatives shall fall under the statute of limitations within five years.

**Article 544**

*(Liability of the management and of the supervisory board of a controlled company)*

(1) In addition to the persons liable for damages under the preceding Article, members of the management and of the supervisory board of a controlled company shall also be jointly and severally liable if their actions result in a breach of their duties. In the event of doubt as to whether they have fulfilled their obligations with due care and diligence, they shall be required to provide appropriate evidence.

(2) Liability for damage shall not be precluded by the fact that the actions concerned have been approved by the supervisory board.

(3) The members of the management board shall not be required to pay damages if the detrimental act is based on an instruction to be fulfilled in accordance with Article 541 of this Act.

(4) The provisions of paragraphs (3) and (4) of Article 543 of this Act shall apply, *mutatis mutandis*, in respect of the liability of the controlled company’s governing bodies.

**Section 2**

**MANAGEMENT AND LIABILITY IN RESPECT OF *DE FACTO* GROUPS**

**Article 545**

*(Scope of influence and management’s report)*

(1) In affiliated companies in which no control agreement has yet been signed, the controlling company shall not use its influence to induce a controlled company to carry out detrimental legal transactions for its own account, or to perform or omit performing an act to its own detriment unless the controlling company compensates the controlled company for the loss.

(2) If the loss is not offset during the financial year, it shall be necessary to determine when and how the loss shall be offset, by no later than the end of the financial year in which the controlled company suffers the loss. The controlled company shall be guaranteed priority with respect to compensation.

(3) The management of a controlled company shall draw up a report on its relations with the controlling company. The report shall indicate all legal transactions entered into by the company with the controlling company or its affiliates during the previous financial year, or carried out at the initiative or in the interest of these companies, and all other acts that the company carried out or failed to carry out at the initiative or in the interest of these companies during the previous financial year and that resulted in a loss for the company. If there were no such transactions, this shall be clearly stated in the report. Payments and repayments shall be indicated for legal transactions, and the reasons for and the benefits of
or the loss accruing to the company for the actions carried out. The offset of losses shall be included in the report, as well as an accurate description of the payment of compensation during the financial year and whether the company was guaranteed the right to benefits and what were these benefits.

(4) The report shall conform to the good faith and credibility principles.

(5) The report shall be concluded by explaining whether the company received appropriate compensation for each legal transaction in the circumstances known to it at the time when a legal transaction was carried out or when an action was taken or abandoned, and whether it suffered a loss when an action was taken or abandoned. If the company suffered a loss, it shall clarify whether the loss has been offset or not. The clarification shall be included in the company's annual report.

Article 546

(Report on relations with affiliated companies)

A report on relations with affiliated companies shall be submitted to the auditor simultaneously with the company's financial statements and annual report.

Article 547

(Liability of the controlling company and of its legal representatives)

(1) If the controlling company induces a controlled company to carry out a legal transaction that is detrimental to it, or to perform or omit performing an act to its own detriment without actually compensating for the loss by the end of the financial year, or without providing the right to benefits determined as compensation, the controlling company shall compensate the controlled company for the damage incurred. (3) The company's claims for damages may also be pursued by any of its shareholders or member; however, they may only claim payment for the company. Claims for damages may also be pursued by the company's creditors if the company is unable to repay its obligations. The shareholders or Company Members may also claim compensation for damage incurred by them, notwithstanding the damage caused to them through the damage to the company.

(2) In addition to the controlling company, representatives of the controlling company who induced the controlled company to carry out a legal transaction or measure shall also be jointly and severally liable in accordance with the application, mutatis mutandis, of the provisions of Article 543 of this Act.

Article 548

(Liability of the controlled company's governing bodies)

(1) Members of the controlled company's management board shall be jointly and severally liable for the company's obligations if they fail to indicate the harmful legal transaction or the harmful action in their report on the company's relations with affiliated companies, or if they fail to state that the company has suffered a loss resulting from a legal transaction or action and that the loss has not yet been offset. In the event of doubt whether they have fulfilled their duties with due care and diligence, they shall be required to submit appropriate evidence thereof.

(2) The members of the controlled company's supervisory board shall be jointly and severally liable for having violated their duty to check the report on relations with affiliated companies in respect of detrimental legal transactions or detrimental actions and to notify their findings to the general meeting.
(3) No loss needs to be offset if the action is based on a valid resolution adopted by general meeting.

(4) The provisions of paragraphs (3) and (4) of Article 543 of this Act shall apply, *mutatis mutandis*, in respect of the liability of the controlled company's governing bodies.

Chapter Three

SECURITY FOR CLAIMS OF THE COMPANY AND CREDITORS IN BUSINESS AGREEMENTS

Article 549

(Legal reserves)

Allocations to legal reserves shall be made in accordance with this Act and the company's by-laws.

Article 550

(Maximum amount of transferred profit)

Notwithstanding the agreement on the amount of profit transferred, a company may transfer no more than the amount of the profit generated during the last financial year.

Article 551

(Protection of creditors)

(1) On the expiry of the control agreement or the profit transfer agreement, the controlling company shall ensure creditors the protection for their claims that arose before the expiry of the agreement is entered in the register, if the creditors so require within six months of publication of the registration.

(2) Creditors who are entitled to preferential payment in case of bankruptcy shall not be entitled to security for their claims.

Chapter Four

PROTECTION OF EXTERNAL SHAREHOLDERS’ INTERESTS UNDER CONTROL AGREEMENTS AND PROFIT TRANSFER AGREEMENTS

Article 552

(Appropriate compensation)

(2) Control agreements and profit transfer agreements shall contain a provision setting out appropriate compensation for the external shareholders of a company that transfers its management or profits. There shall be no need to set an appropriate compensation if the company has no external shareholders on the conclusion of the agreement.

(2) An appropriate compensation shall comprise at least the annual payment amount that is to be distributed as an average dividend per share based on the previous and future position of the company by taking into account the relevant circumstances. The amount paid as a dividend for the company's shares by taking into account the ratio according to which each share of the company should be replaced by a share of the other company upon merger may also represent appropriate compensation.
(3) Any agreement not containing the provision on the compensation referred to in paragraph (1) of this Article shall be null and void. The resolution by which the general meeting approves an agreement may not be challenged on the grounds of inappropriate compensation.

(4) If the compensation provided for by the agreement is inappropriate, any external shareholder may require that appropriate compensation be determined by the court. The provisions of Article 603, except point 2 of paragraph (3) of Article 605 of this Act shall apply, *mutatis mutandis*, to the procedure for determining an appropriate amount of compensation.

(5) If the amount of compensation is decided by the court, the other party may terminate the contract within three months of the final decision and notwithstanding the notice period.

**Article 553**

(Consideration for the acquired shares)

(1) In addition to the provisions on compensation, the control agreement and the profit transfer agreement shall also contain a provision concerning the controlling company's obligation to acquire an external shareholder's shares at his request for the contractually determined consideration.

(2) The agreement may provide for the provision of shares of the controlling company or of a company to which the controlling company is subordinated, or for cash payment as consideration for the acquired shares.

(3) If consideration is provided in the form of shares in another company, such consideration shall be appropriate if the shares are provided in a proportion that would be necessary for the shares in another company to be provided for each share in the case of merger; in this case, consideration for the largest amounts may be provided in cash. A cash consideration shall be appropriate provided that it takes into account the financial and profit position of the company at the time of the general meeting's resolution on the agreement.

(4) The resolution by which the general meeting approves an agreement may not be contested if no consideration has been offered or is inappropriate. If no consideration has been provided for by the agreement or if it is inappropriate, any external shareholder may require that appropriate consideration be determined by the court. The provisions of paragraph (2) and point 1 of paragraph (3) of Article 605, and Articles 606 to 615 of this Act shall apply, *mutatis mutandis*, to the process of judicial determination of an appropriate cash consideration.

(5) The court shall determine the payment of a cash consideration unless the agreement provides for the acquisition of shares in the controlling company or in a company to which the controlling company is subordinated. The court's decision shall apply to all external shareholders.

(6) The company's management shall publish final court decision in the company's official bulletins.

**Chapter Five**

**INTERRELATED COMPANIES**

**Article 554**

(Restriction of rights)
(1) Two interrelated companies that are not in a mutual control relationship may, when they are notified or when they become aware of their mutual participation, exercise their rights derived from their share ownership in the other company to a maximum of one-quarter of all the shares in the other company. This shall not apply to the right to buy new shares when the share capital is increased from the company’s assets.

(2) The restriction on the exercise of rights derived from shares shall not apply to a company that notifies the other company of its participation in accordance with paragraph (1) of Article 532 of this Act before receiving such notification from the other company or before becoming aware of such mutual participation.

(3) The two interrelated companies shall notify each other forthwith in writing of the amount of their respective shares and of any change to such shares.

Chapter Six

COMPANIES MERGED INTO THE PRINCIPAL COMPANY

Article 555

(Merger by majority decision)

(1) If 95% of all shares of a public limited company are held by another company (the principal company), the public limited company may be merged into the principal company by resolution of the general meeting.

(2) The resolution to merge shall be valid if it is approved at the principal company's general meeting, adopted by at least a three-quarters majority of the share capital represented in the vote. A larger majority shareholding and other requirements may be stipulated by the articles of association.

(3) The management of the company that is being merged shall lodge an application for merger registration, whereby it shall indicate the corporate name of the principal company.

(4) A merger into the principal company shall be effective from the date of registration.

(5) The provisions of in this Act on companies merged into principal companies shall also apply, mutatis mutandis, when either the principal or the merged company is a limited liability company.

Article 556

(Consequences of a merger by majority decision)

(1) Any shares not held by the principal company shall be transferred to it upon registration of the merger.

(2) The withdrawing shareholders shall be entitled to appropriate consideration. This consideration shall be provided in the form of shares in the principal company. If the principal company is a controlled company, the withdrawing shareholders shall be, at their choice, provided with shares in the principal company or with an appropriate cash payment. If consideration is provided in the form of shares in the principal company, such consideration shall be deemed appropriate if the shares are provided in a proportion in which shares in the principal company should be provided for each share in the case of merger; in this case, consideration for the largest amounts may be provided in cash. Appropriate consideration shall take into account the financial and profit position of the company at the time of the general meeting's resolution to merge. Interest at the rate of 5% p.a. shall be accrued to
cash payments from the date of the announcement of the merger registration; further compensation claims shall not be excluded.

(3) If the cash consideration offered is not appropriate, each withdrawing shareholder may request that the court determine the appropriate level of consideration. The same shall apply if the principal company offers no consideration or offers it in an inappropriate manner. The provisions of paragraph (2) and point 1 of paragraph (3) of Article 605, and Articles 606 to 615 of this Act shall apply, mutatis mutandis, to the process of judicial determination of an appropriate cash consideration.

557

(Protection of creditors)

(1) The principal company shall provide creditors of a merged company with collateral for their claims that arose before the merger is registered if the creditors so require within six months of announcement of the registration.

(2) Creditors who are entitled to preferential payment in case of bankruptcy shall not be entitled to a security for their claims.

Article 558

(Liability assumed by the principal company)

(1) After the merger, the principal company shall assume liability towards creditors for liabilities incurred by an incorporated company prior to its merger into the principal company. The principal company shall be equally liable for liabilities incurred after the merger.

(2) The principal company may only lodge objections if the merged company is also entitled to do so.

(3) Executive title against a merged company shall not be the grounds for enforcement action against the principal company.

Article 559

(Corporate governance and liability of the principal company)

(1) The principal company shall have the right to provide the management of the merged company with corporate governance instructions. The provisions of paragraphs (2) and (3) of Article 541, Article 543 and Article 544 of this Act shall apply, mutatis mutandis, in respect of the corporate governance and liability of the principal company; however, the provisions of Articles 545 to 548 of this Act shall not apply.

(2) Payments made by the merged company to the principal company shall not constitute a violation of the provisions of in Articles 227, 230 and 231 of this Act.

(3) The principal company shall compensate any balance sheet loss of the merged company.

(4) The provisions of this Act concerning the obligation to create legal reserves and their use shall not apply to merged companies.

Article 560

(The right of principal company's shareholders to be informed)
Every principal company's shareholder shall be provided with explanations on matters concerning the merged and the principal company.

**Article 561**

**(Demerger)**

(1) A company shall be demerged in the following cases:

– by resolution of the merged company’s general meeting;

– if the principal company is no longer a public limited company established in the Republic of Slovenia;

– if all shares of the merged company are no longer held by the principal company; or

– on the winding-up of the principal company.

(2) If all shares of the merged company are no longer held by the principal company, the principal company shall notify the incorporated company thereof in writing without delay.

(3) The management board of the merged company shall notify the demerger and the reason and time for registration as well as the reason for and the time of the demerger for entry in the register.

(4) Claims against a previous principal company arising from the liabilities of a previous merged company shall fall under the statute of limitations within five years of the publication of the registration, unless a shorter statute of limitations is provided for claims against the previously merged company. If a creditor’s claim matures at a later date, the statute of limitations shall begin on the maturity date of the claim.

**Article 562**

**(Holding company)**

(1) A company that has a controlling share in a legally independent company and particularly carries out the activities of establishing, financing and managing such companies (a holding company) is a company with a controlling share.

(2) The assumptions referred to in paragraph (2) of Article 529 and paragraph (2) of Article 530 of this Act shall apply to a holding company.

**PART V**

**ECONOMIC INTEREST GROUPING**

**Article 563**

**(Formation, objectives and activities)**

(1) An economic interest grouping (hereinafter: Grouping) may be established by at least two companies or Company Owners.

(2) The purpose of a Grouping shall be to facilitate and promote activities carried out by its members, and to improve and enhance the results of these activities, rather than making its own profit.

(2) The Grouping’s activity shall be associated with the commercial activities of its members and may only be ancillary to these activities.
(4) Persons pursuing an activity governed by special regulations may also become members of a Grouping.

**Article 564**

*(Share capital, membership rights)*

(1) A Grouping may be formed without share capital.

(2) The rights of the members of a Grouping may not be expressed in securities; any provision to the contrary shall be null and void.

**Article 565**

*(Legal personality, assumption of liability)*

(1) A Grouping shall acquire the attributes of a legal person on its entry in the court register.

(2) In addition to carrying out the tasks for its members, a Grouping may also carry out all commercial transactions for its own account in the usual manner.

**Article 566**

*(Responsibility of members)*

(1) The members shall assume the responsibility for liabilities of the Grouping with all their assets. Members who join a Grouping after it has been established may be exempt from the responsibility for liabilities incurred before joining the Grouping; this exemption shall be published. Unless otherwise agreed with a third contracting party, the liability of the members shall be joint and several.

(2) The creditors of a Grouping shall not require repayment from the members until they have tried and failed to obtain payment from the Grouping itself.

**Article 567**

*(Issue of bonds)*

A Grouping may issue securities under the terms and conditions applicable to their issue by companies, but only if all members of the Grouping are companies that are entitled to issue these securities and meet the prescribed conditions according to the law.

**Article 568**

*(Articles of incorporation)*

(1) The articles of incorporation shall determine the organisational structure of the Grouping and shall be drawn up in the form of a notarial deed and be published.

(2) The articles of incorporation shall regulate particularly the following:

– the name of the Grouping;

– the full names or the corporate names of the members of the Grouping, their legal form, address or registered office and details of entry in the register;

– the period for which the Grouping is formed, unless it is formed for an indefinite period of time;
– the Grouping's objectives and activities; and
– the Grouping's registered office.

(3) Amendments to the articles of incorporation shall be signed and published in the same form as the articles themselves. These amendments shall become effective against third parties only on the date of their publication.

**Article 569**

(Membership in a Grouping)

(1) A Grouping may accept new members under the conditions laid down in the articles of incorporation.

(2) Members may withdraw from the Grouping provided that they have settled their obligations. The articles of incorporation shall also lay down other conditions for withdrawal.

**Article 570**

(The general meeting of the Grouping)

(1) The general meeting of a Grouping shall also resolve on early dissolution or extension of the existence of the Grouping in accordance with the articles of incorporation. The articles of incorporation may determine that all or some resolutions may only be made with a specific quorum or with a specific majority; if the articles of incorporation contain no provisions to this effect, the adoption of a resolution shall require the consent of all members.

(2) The articles of incorporation may also provide that some members can have a greater number of votes than others; otherwise, each member shall be entitled to one vote.

(3) The general meeting shall be called if so requested by at least one-quarter of the members of the Grouping.

**Article 571**

(Corporate governance of a Grouping)

(1) A grouping shall have a management board consisting of one or more members.

(2) A legal entity may become a member of the management board if that legal entity appoints a permanent representative who shall assume liability in the same way as if he/she were a member of the management board in his own right.

(3) Members of the Grouping's management board and permanent representatives of members who are legal entities shall assume individual or joint and several liability towards the Grouping and third parties for violations of the regulations relating to the Grouping, for violations of the articles of incorporation, and for errors made during operations. If more than one member of the management board is involved in a transaction causing a loss to the Grouping, each member's share of liability for compensation for the damage shall be determined by the court.

(4) The method of corporate governance, the appointment of management board members, and determining their powers, rights and conditions for discharge shall be regulated by the articles of incorporation or by resolution of the general meeting.

(5) In relations with third parties, the Grouping shall be bound by every action taken by an individual member of the management board that falls within the scope of the Grouping's activities. Restrictions of powers shall have no legal effect on third parties.
Article 572
(Operational control)

(1) The control of a Grouping's operations and books and records shall be carried out by a chartered accountant in the manner determined by the articles of incorporation.

(2) If a Grouping issues bonds, the control shall be carried out by one or more auditors to be appointed by the general meeting and whose powers and term of office are to be determined under separate contract.

(3) The control of the books and records of Groupings with more than one hundred employees shall be carried out by auditors in the manner and under the conditions applying to companies.

Article 573
(The Grouping's relationships with third parties)

All acts and documents of a Grouping that are intended for third parties, particularly letters, invoices, advertisements and various communications and announcements, shall include a clearly marked corporate name of the Grouping and the words 'gospodarsko interesno združenje' ('Economic Interest Grouping') or its abbreviation 'GIZ' ('EIG')

Article 574
(Transformations of legal entities into Groupings and vice versa)

(1) Any legal entity whose activity conforms to the definition of the activity pursued by a Grouping may be transformed into such Grouping without winding up one and creating a new legal entity.

(2) A Grouping may be transformed into an unlimited company without winding up one and creating a new legal entity.

Article 575
(Incapacity of a Grouping member)

At the commencement of bankruptcy or liquidation proceedings against individual Grouping members or on the loss of their capacity to contract, their membership in the Grouping shall be terminated on the date of the commencement of bankruptcy or liquidation proceedings, or on the date of establishing the loss of their capacity to contract. In this case, the Grouping shall continue to exist unless the articles of incorporation provide that the Grouping shall automatically be wound-up on the winding-up of any of its members.

Article 576
(Winding-up and liquidation)

(1) A Grouping shall be wound up:

– on the expiry of the period for which it has been established, if it has been established for a fixed period of time;

– on the achievement of the Grouping's objectives or on the Grouping's extinction;

– on the basis of the decision of its members; or
– by court decision.

(2) The grounds for winding up a Grouping in accordance with the preceding paragraph of this Article shall give rise to the commencement of liquidation proceedings.

(3) The provisions on the liquidation of a public limited company shall apply, *mutatis mutandis*, to the liquidation proceedings.

**Article 577**

*(The European economic interest grouping)*

(1) A European Economic Interest Grouping may be established in the Republic of Slovenia in accordance with Regulation 2137/85/EEC (hereinafter: ‘European Grouping’).

(2) The provisions of this part of the Act relating to Groupings shall also apply to the European Groupings in respect of issues not specifically defined by the Regulation.

**Article 578**

*(Special provisions on the European grouping)*

(1) A European Grouping shall acquire the attributes of a legal person on its entry in the court register in the Republic of Slovenia.

(2) A member of the management board of a European Grouping may also be a legal person provided that it appoints as its permanent representative a natural person who shall be bound by the same obligations as if it were a member of the management board in its own right.

(3) Membership in a European Grouping shall be automatically terminated on the date of the commencement of bankruptcy or liquidation proceedings.

(4) A European Grouping shall use the clearly marked name of the European Grouping together with the designation ‘evropsko gospodarsko interesno združenje’ (‘European Economic Interest Grouping’) or the abbreviation ‘EGIZ’ (EEIC).

**PART VI**

**CHANGE OF LEGAL FORM (OF COMPANIES)**

**Chapter One**

**GENERAL**

**Article 579**

*(General rule)*

(1) A company may change its legal form by:

– merger,
– division
- transfer of assets, or
- change of legal form.
Chapter Two
MERGER
Section 1
MERGER OF PUBLIC LIMITED COMPANIES

Article 580
(Definition and concept)

1. Two or more public limited companies may merge by absorption or by formation of a new company.

2. Merger by absorption is when one or more public limited companies (the transferor company) transfer all their assets and liabilities to another public limited company (the transferee company).

3. Merger by formation of a new company is when a new company is formed for the purposes of the merger (transferee company) to which all the assets and liabilities of the merging companies are transferred (transferor companies).

4. The transferor companies are dissolved by the merger without (previously) going into liquidation. The shareholders of transferor companies are attributed shares of the transferee company.

5. When the ratio at which the shares of the transferor company are being exchanged for the shares of the transferee companies is not equal to one or more transferee company shares for one share of the transferor company, the shareholders of the transferor company who do not possess an appropriate number of transferor company shares in order to receive a whole number of the transferee company shares shall be provided cash payment by the transferee company or by other person. The sum of cash payments provided by the transferee company shall not exceed one tenth of the total minimum issue amount of shares provided by the transferee company to transferor company shareholders under the merger by absorption.

6. Following a merger, all assets and liabilities of the transferor company are transferred to the transferee company. The transferee company is the universal legal successor of the transferor company and shall enter into all legal relations whose subject was the transferor company.

Article 581
(Merger by absorption contract)

1. The boards of directors of companies merging by absorption shall conclude a merger by absorption contract.

2. This merger by absorption contract shall contain the following:

   1. the name and registered office address of each company participating in the merger by absorption (merging companies);

   2. agreement on transfer of all assets and liabilities of each of the transferor company to the transferee company, taking into account the legal consequences referred to in the fourth and sixth paragraph of the preceding Article;
3. the ratio at which the shares of the transferor company are to be exchanged for shares of the transferee company (share exchange ratio);

4. in cases referred to in paragraph (5) of the preceding Article:
   – the amount of additional cash payment, expressed in cash payment per whole share of the transferor company; and
   – a note that additional cash payment will be provided by the transferee company, or the name and the registered office address or the name and surname of any other person that will provide such payment;

5. detailed information on procedures concerning the transfer of shares of the transferee company and payment of additional cash payment; if the transferee company does not provide shares in compliance with Article 589 of this Act, reasons shall be indicated;

6. the date from which shares of the transferee company provided for the merger by absorption will become entitled to participate in the profits of the transferee company, and any details in relation with the exercise of this right;

7. the date from which the transactions of the transferor company will be treated for accounting purposes as being those of the transferee company (cut-off date of merger by absorption);

8. any measures taken to ensure the rights of the holders of special rights referred to in Article 593 of this Act;

9. any special benefits granted to members of the management or supervisory bodies of the merging companies, or to auditors of the merger by absorption;

10. in the case referred to in the second paragraph of Article 600 of this Act, the amount of the proposed cash compensation and a note that the cash compensation will be provided by the transferee company, or the name and the registered office address or the name and surname of any other person that will provide such cash compensation.

(3) The statement of such other person that he will provide additional cash payment or cash compensation shall be in the form of a notarial deed.

**Article 582**

*(Management's explanatory report)*

(1) A separate detailed written report on the merger by absorption shall be drawn up in respect of each merging company by the directors of each such company.

(2) In the explanatory report the directors shall explain the legal and economic grounds:

1. the legal and economic grounds for merger by absorption, and the envisaged consequences of such merger;

2. the contents of the merger by absorption contract, in particular:
   - the proposed share exchange ratio;
   - the amount of additional cash payments, if any; and
   - measures to be taken to ensure the rights of the holders of special rights referred to in Article 593 of this Act.
(3) Boards of directors of merging companies may draw up a unified explanatory report.

(4) The explanatory report shall contain a note of any special difficulties that have arisen in the process of valuation of merging companies, and on the incidence of such difficulties on the determination of the exchange ratio and other rights.

(5) The management shall not be required to disclose information in cases referred to in the first and third indent of the second paragraph of Article 305 of this Act.

**Article 583**

(Examination of the merger by absorption)

(1) The merger by absorption contracts of all merging companies shall be examined by one or more independent persons (hereinafter: the merger expert).

(2) A merger expert is appointed by a tribunal for each of the merging companies at the proposal of the supervisory board of the merging company concerned. If a company has no supervisory board, a merger expert is appointed at the proposal of the board of directors.

(3) Notwithstanding paragraphs (1) and (2) of this Article, the same merger expert or merger experts may examine the merger by absorption for all merging companies with the consent of the supervisory boards or boards of directors of all merging companies. In such a case, a merging expert or merging experts are appointed by a tribunal at a common proposal of supervisory boards or boards of directors.

(4) Merger experts shall prepare a written report of the examination of the merger by absorption. This report may cover all merging companies concerned.

(5) The report shall contain the opinion of the expert or experts as to whether the amount of the transferee company’s shares at the share exchange ratio proposed in the merger contract, and the amount of any cash payments or cash compensation offered is adequate compensation for the shares of the transferor company. The report shall state in particular:

1. the method or methods of valuation of companies used to define the share exchange ratio proposed in the merger contract;

2. the reasons the use of these methods are adequate for determining the share exchange ratio in the case in question; and

3. where several methods were used for the determination of the share exchange ratio, indicate the values arrived at using each such method; at the same time, an opinion has to be given as to the relative significance attributed to such methods in arriving at the values decided on, and any specific difficulties in the valuation of the merging companies must be indicated.

(6) The merger expert or experts shall submit the report to the management or supervisory bodies of the company for which the report concerns.

(7) The provisions on audit of annual reports of the act governing auditing shall apply, *mutatis mutandis*, to the process and conditions for examination of the merger.

(8) the provision of paragraph (3) of Article 57 of this Act shall apply, *mutatis mutandis*, to the liability for damages of merger experts. Merger experts shall be liable for damages to all merging companies and to all shareholders of such companies.

**Article 584**

(Scrutiny of the terms of merger by the supervisory board)
Supervisory boards of each merging company shall examine the management's report and the merger expert's report on the proposed merger by absorption and draw up a written report. In its report on merger by absorption, the supervisory board is not required to disclose information in cases referred to in the first and third indent of paragraph (2) of Article 305 of this Act.

**Article 585**

*(Approval of merger by absorption by the general meeting)*

(1) The merger contract shall be valid subject to the approval of each of the merging companies' general meeting. The general meeting may give its approval prior to or after the conclusion of the merger by absorption contract.

(2) A resolution of the general meeting shall be deemed to have been validly adopted if at least three quarters of the share capital represented at the general meeting are in favour. A larger majority shareholding and other requirements may be stipulated by the articles of association.

(3) In the case of multiple share classes, the resolution of the general meeting on the approval of the draft terms of merger shall be valid subject to the approval of shareholders of each share class. Shareholders of each class shall adopt an extraordinary resolution on approval. The provisions of the preceding paragraph do not apply to the adoption of the extraordinary resolution.

(4) The merger by absorption contract, or the draft terms of merger by absorption deliberated by the general meeting shall be an integral part of the minutes of the general meeting, or attached to the same.

**Article 586**

*(Preparing and holding a general meeting)*

(1) The management of each merging company shall submit to the registration authority the merger contract that has been examined by the supervisory board of such a merging company at least one month before the date of the general meeting that is to decide on granting approval on the merger by absorption. The company shall publish a notice of the submission of the merger contract to the registration authority. In the notice, shareholders shall be reminded of their rights under paragraphs (2) and (3) of this Article.

(2) Not less than one month prior to the general meeting that is to decide on the approval of merger, shareholders of each of the merging companies shall be allowed to examine the following at the head office of such company:

1. the merger by absorption contract;
2. annual reports of all merging companies for the previous three fiscal years;
3. final reports, if audited, of individual merging companies in compliance with paragraph (1) of Article 68 of this Act in cases in which the cut-off date of merger is not the same as the cut-off date of the last annual report of such companies;
4. interim balance sheets of any of the merging companies prepared as per the date of the end of the last quarter prior to the conclusion of the merger contract or the preparation of the draft terms of merger in which the latest annual accounts of any of the merging companies
relate to a financial year that ended more than six months before the date of the conclusion
the terms of merger or the preparation of the draft terms of merger;

5. explanatory report or reports by the management of each merging company;

6. report or reports on the examination of the merger by absorption; and

7. reports on merger by absorption by the supervisory boards of each of the merging
company.

(3) The provisions of this Act concerning the preparation of the balance sheet shall apply
to the preparation of the interim balance sheet referred to in the fourth indent of the
preceding paragraph, subject to the following exceptions:

1. When preparing the interim balance sheet, there is no obligation to verify whether the
status of asset and liability items as presented in the accounts corresponds to the actual
situation.

2. In the interim balance sheet, the items may be presented in the same values as shown
in the latest annual balance sheet. The following shall be taken into considera-
tion:
- write-offs and attributions due to changes in asset value,
- important changes of the actual asset value not shown in the accounts.

(4) A copy of documents referred to in paragraph (2) of this Article shall be provided free of
charge to any shareholder upon his request, no later than on the next working day following
such a request.

(5) The documents referred to in paragraph (2) of this Article shall be presented at the
general meeting. The management shall explain the contents of the merger by absorption
contract before the opening of the general meeting discussion. Prior to deciding on the
approval of the merger by absorption, the management shall inform shareholders of all
significant changes of the company assets and liabilities in the period from the date of
conclusion of the merger by absorption contract, or the preparation of the draft terms of
merger by absorption to the date of the general meeting. A significant change is any change
that would result in a different appropriate exchange rate.

(6) At the general meeting, the management (board of directors) shall explain verbally to
any shareholder, upon his request, issues concerning other merging companies, if such
matters are of consequence for the merger by absorption. Provisions of the first and third
indent of paragraph (2) of Article 305 of this Act shall apply, mutatis mutandis, to the
obligation of the management to provide explanations.

Article 587

(Form of merger by absorption contract)

The merger by absorption contract shall have the form of a notarial record.

Article 588

(Increase of share capital following a merger by absorption)

(1) If the transferee company increases its share capital in order to make a merger by
absorption, the following provisions of this Act shall not apply: paragraph (5) of Article 333,
paragraph (2) of Article 335, Articles 336 and 337, and paragraph (2) and the first indent of the paragraph (3) of Article 339.

(2) If the transferee company increases its share capital with approved capital, in addition to provisions referred to in the preceding paragraph, the provision of paragraph (3) of Article 334 of this Act shall not apply.

(3) Any increase of the share capital for the implementation of merger by absorption shall be examined by one or more merger experts.

(4) Provisions of Articles 194 to 197 of this Act shall apply, mutatis mutandis, to the examination of the increase of the share capital for the intended merger by absorption. The examination may be carried out by a merger expert.

**Article 589**

(Cases in which no shares are provided following a merger by absorption)

(1) The transferee company shall not be allowed, in order to make a merger by absorption, to exchange shares for:

1. the shares of the transferor company held by the transferee company itself; and
2. for shares held by the transferor company.

(2) The transferee company shall have no obligation to provide shares in order to make a merger by absorption in the following cases:

1. when the same persons (shareholders) have the same proportion of the share capital of the transferee and the transferor company, except in cases when this would result in a violation of the prohibition of refund of capital contributions or the prohibition of exemption from the obligation of payment of capital contributions; or
2. if shareholders of the transferor company waive their right to receive shares of the transferee company with a statement in the form of a notarial record.

(3) If the transferor company holds shares of the transferee company and such shares had been fully paid-in, such shares shall be used for the fulfilment of the obligation of the transferee company to provide shares to shareholders of the transferor company. Shares held by the transferor company that have not been fully paid-in may not be used for the fulfilment of the obligations of the transferee company.

(4) Shares held by another person on behalf of the transferor or the transferee company shall also be considered shares held by the transferee or the transferor company.

**Article 590**

(Proposal for registration of the merger by absorption)

(1) The management of each merging company shall submit a proposal for registration of the merger by absorption to the registration authority in the place where the transferee company has its registered office. A proposal for registration of the merger by absorption may be submitted by the transferee company also on behalf of the transferor company.

(2) The proposal for registration of the merger by absorption submitted by the transferee company shall contain:

1. a declaration by the management (board of directors) of each company participating in the merger by absorption stating:
that against the resolution of the general meeting on approval of the merger by absorption no action has been filed to challenge this resolution or to declare null and void such resolution within the time limit for challenging this resolution; or

that a legal action challenging the resolution of the general meeting on approval of the merger by absorption or to declare null and void such resolution has been finally dismissed as unfounded or rejected on procedural grounds or withdrawn; or

that all shareholders have signed a statement in the form of a notarial record to waive their right to challenge the resolution of the general meeting on the approval of merger by absorption or to request that it be declared null and void;

2. in cases in which, in compliance with paragraph (1) of Article 599 of this Act, the approval on merger by absorption was not deliberated by the general meeting, the statement of the management of the transferee company that shareholders of the transferee company did not exercise their right to request that the merger by absorption be approved by the general meeting of the transferee company, or that they had waived this right by signing a statement in the form of a notarial record;

3. merger by absorption contract;

4. minutes of each of the merging companies' general meetings that deliberated on the approval of the merger by absorption;

5. explanatory report or reports by the management of each merging company;

6. report or reports on the examination of the merger by absorption;

7. reports on merger by absorption by the supervisory boards of each of the merging company;

8. final reports of transferor companies;

9. permit or approval of the competent national or other authority, where necessary;

10. evidence that the intended merger by absorption has been published in compliance with paragraph (1) of Article 586 of this Act; and

11. statements referred to in paragraph (3) of Article 581 of this Act.

(3) If the management is unable to submit the statement referred to in point 1 of the preceding paragraph as an action has been brought in due time to challenge the resolution of the general meeting approving the merger by absorption or to declare such resolution null and void, and the action has not yet been finally decided upon, the registration authority shall suspend the decision on the registration of the merger by absorption until the decision on the action becomes final.

(4) Notwithstanding the preceding paragraph, the registration authority shall not suspend deciding, or shall repeal the decision on suspension, and shall register the merger by absorption before the decision on the action becomes final in the case of a substantial interest for a rapid decision on the registration, and all other conditions for registration are fulfilled.

(5) When assessing the substantial interest for a rapid decision, the registration authority shall take into consideration the importance of the right whose violation is alleged in the action, the probability that that the applicant's action would succeed, and the damage that could be caused to merging companies because of a delayed registration.
Article 591

(Registration and legal consequences of merger by absorption)

(1) The registration authority in the place where the transferee company has its registered office shall simultaneously record the merger by absorption of all transferor companies to the transferee company into its register. If the transferee company share capital was increased as a result of the merger by absorption, such an increase shall be recorded in the register at the same time as the merger by absorption. The register entry of the merger by absorption shall contain the full company names of all transferor companies and the numbers of their previous entry in the register.

(2) Each transferor company shall appoint a representative who will accept the transferee company's shares to be provided to shareholders of the transferor company, and any cash payments. The merger by absorption may be entered in the register only after the representative has notified the register authority in the place where the transferee company has its registered office that he/she has collected the shares or that the transfer of sums for additional cash payments have been made. Prohibition of issue of shares and Interim Certificates under Articles 342 and 348 of this Act shall not apply to the issue of shares to the representative.

(3) The entry in the register of the merger by absorption shall have the following legal consequences:

1. all the assets and liabilities of transferor companies shall be transferred to the transferee company. When at the time of merger the merging companies have pending bilateral agreements, and because of the legal consequences of the merger by absorption, such agreements result in the following mutual obligations:
   - obligations of acquisition, supply or other similar incompatible obligations, or
   - obligations, the immediate fulfilment of which would represent an unfair burden for the transferee company, the scope of such obligations shall undergo a fair modification by taking into consideration the interests of both parties;

2. the transferor companies shall cease to exist;

3. shareholders of transferor companies shall become shareholders of the transferee company, except in cases referred to in Article 589 of this Act. At the same time, the third party rights to shares of the transferor company shall be transferred to the shares of the transferee company to be provided because of the merger by absorption, or to any rights to cash payment.

(4) Provisions of Article 244 of this Act shall apply to the exchange of shares of the transferor company, and provisions of Article 376 of this Act shall apply to share pooling; in either case, no permission of the court shall be required.

Article 592

(Protection of creditors)

(1) The creditors of all merging companies have the right to request appropriate security for their non-matured, uncertain or conditional claims within sixth months after the entry of the merger by absorption to the registry. Creditors may only exercise this right if they are able to prove that the meeting of their claims is jeopardised by the merger by absorption. The creditors shall be reminded of this right in the notice of the entry the merger by absorption in the register.
(2) Creditors who are entitled to priority payment in the case of bankruptcy proceedings shall not be entitled to request security.

(3) If any of the merging companies holds more than 25% of the shares of any other merging company (shares of the transferor company), and has given or pledged these shares as security or insurance for acquired loans or similar legal transactions, by which it has acquired funds for the acquisition of such shares of the transferee company, the following is required for the validity of the merger contract:

- approval of the majority of creditors of each of the merging companies (majority approval);
- approval of creditors of each of the merging companies that have claims exceeding 5% of all liabilities of the company (individual approval by creditors); and
- approval of employees of each merging company; on their behalf and in their name, the approval shall be given by their representative in compliance with the act governing the participation of employees in the management.

(4) Majority approval shall be deemed given when the approval is given by creditors whose total claims account for at least 75% of the global liabilities of the company, as evident from the balance sheet on the day of merger by absorption, as certified by the expert (auditor). The sum of liabilities that is the basis for the calculation of majority approval shall contain the sum of cash compensations to which the employees of the company would be entitled in the event the company ceased to exist on that date. The statement that is taken into account for the calculation of majority approval shall be submitted in the name of the employees by their representative in compliance with the act governing participation of employees in the management.

(5) Statements of approval by creditors and by the representative of employees shall have the form of a notarial record.

Article 593

(Protection of the rights of holders of special rights)

(2) If the transferor company had issued convertible bonds, bonds conferring pre-emptive rights or dividend bonds, or has otherwise secured to individual persons special rights to participate in the profit, the holders of such rights shall be provided with equivalent rights in the transferee company. If the transferee company is unable to provide equivalent rights, every holder of special rights may request additional cash payment from the transferee company. Provisions of paragraph (2) of Article 605 and of Articles 606 to 615, with the exception of the second sentence of paragraph (4) of Article 607 and paragraphs (2) to (6) of Article 612 of this Act shall apply, mutatis mutandis, to the procedure for fixing the additional cash payment to which the holders of special rights are entitled.

Article 594

(Liability of management and supervision bodies of the transferor company)

(1) Members of the management and supervisory bodies of the transferor company shall be jointly and severally liable for any loss or damage caused by the merger by absorption to the transferor company, its shareholders or creditors referred to in Article 592 of this Act. The provision of paragraph (2) of Article 263 of this Act shall apply, mutatis mutandis, to the liability of members of management or supervisory bodies referred to in the preceding sentence.
(2) For the purpose of submission of claims for damage under the preceding paragraph, and for any claims for loss or damage suffered because of the merger by absorption under the general rules of liability for damages, the transferor company shall be considered as not dissolved. Accounts receivable and payable among the companies shall not be set off in the context of the merger by absorption.

(3) The period of limitation for claims under this Article shall be five years from the day of the entry of the merger by absorption into the register.

Article 595

(Submission of claims for loss or damage)

(1) An action concerning a claim for loss or damage under the preceding Article shall only be initiated by the special representative on the account of all shareholders and on the account of all creditors who, under Article 592 of this Act are entitled to request security but were refused such security by the transferee company.

(2) A special representative shall be appointed by the court in the place where the transferee company has its registered office. A person may be appointed to be a special representative who meets the requirements for being appointed enforcement officer under the Compulsory Settlement, Bankruptcy and Liquidation Act.

(3) The court shall appoint a special representative at the proposal of:

1. shareholders who fulfil the conditions under the second point of paragraph (3) of Article 605 of this Act; or

2. a creditor who is entitled under Article 592 of this Act to request protection, but was refused such security by the transferee company.

(4) The proposer shall make an advance payment to cover the costs of publication referred to in paragraph (6) of this Article and the costs of proceedings for claiming compensation for loss and damage.

(5) By the decision appointing the special representative, the court shall also set the deadline by which the shareholders and creditors referred to in Article 592 of this Act shall register with the special representative. This time period shall not be less than 30 days following the publication of the notice of nomination.

(6) The court shall publish the notice of nomination of a special representative in Uradni list Republike Slovenije (the Official Gazette of the Republic of Slovenia). The notice shall include the following:

1. the name and surname of the special representative and the address where shareholders and creditors shall register;

2. information that the special representative has been nominated for the purpose of submitting claims in compliance with the preceding Article;

3. an invitation to the shareholders and creditors referred to in Article 592 of this Act to register with the special representative within the time limit set by the court in its decision on the appointment.

(7) The proceeds collected by the special representative on the basis of upheld claims for compensation shall be used, first, for the payment of costs and the remuneration of the special representative, and, second, for the payment of creditors referred to in Article 592 of this Act who were refused adequate protection by the transferee company. Any surplus shall
be distributed to shareholders. The provisions of Article 418 of this Act shall apply, *mutatis mutandis*, to the distribution of such proceeds to the shareholders.

(8) The special representative shall be entitled to reimbursement of his costs and to remuneration for his work. The provisions governing the reimbursement of costs and the remuneration to receivers shall apply, *mutatis mutandis*, to the reimbursement of costs and the remuneration of the special representative. The court that had appointed the special representative shall decide on the reimbursement of costs and the remuneration of the special representative. The expenses (costs) and the remuneration of the special representative shall be paid from the proceeds the special representative collects from upheld claims. Considering the circumstances of the case, the court may decide that the expenses and the remuneration of the special representative shall be paid by the shareholders and the creditors on whose behalf the representative is claiming compensation.

**Article 596**

(Statute of limitations for compensation claims against members of management or supervisory bodies of the transferee company)

The period of limitations for claims for loss or damage because of a merger by absorption against the members of management or supervisory bodies of the transferee company for compensation shall be five years from the day of the publication of the entry of the merger by absorption in the register.

**Article 597**

(Action to declare null and void or to challenge a resolution of the general meeting of the transferor company approving merger by absorption)

After a merger by absorption is registered, any action to declare null and void or to challenge the resolution of the general meeting of the transferor company approving merger by absorption shall be taken against the transferee company.

**Article 598**

(Convalidation of the resolution approving merger by absorption)

After a merger by absorption is registered, any possible shortcomings of the merger by absorption shall have no effect on the legal consequences of the merger by absorption referred to in paragraph (3) of Article 591 of this Act. Any plaintiff who, prior to the registration of the merger by absorption, has initiated an action to declare null and void or challenge the resolution approving the merger by absorption, may, without the agreement of the defendant, modify his/her action in such a way as to claim compensation for damage incurred to him/her by the registration of the merger by absorption.

**Article 599**

(Merger by absorption – simplified formalities)

(1) The merger by absorption contract shall be valid without the approval of the general meeting of the transferee company in the following cases:

1. when the transferee company holds at least nine tenths of the share capital of the transferor company, the participation of the transferee company in the share capital of the transferor company shall be calculated by subtracting from such capital own shares of the transferor company and shares held by another person on behalf of the transferor company; or
2. when shares of the transferee company to be provided to shareholders of the transferor company do not exceed one tenth of the share capital of the transferee company, and if the transferee company needs to increase its share capital because of the merger by absorption, the calculation shall consider the increased share capital.

(2) When, in compliance with the preceding paragraph, the management of the transferee company waives approval of the general meeting of the transferee company, the transferee company shall fulfil the obligations referred to in paragraphs (1) and (2) of Article 586 of this Act at the latest one month prior to the date of the general meeting of the transferor company that decides on the approval of merger by absorption.

(3) Notwithstanding the provisions of paragraph (1) of this Article, the general meeting of the transferee company shall decide on the approval of the merger by absorption if the shareholders of the transferee company holding shares in the amount of at least one twentieth of the share capital of the transferee company request that a general meeting of the transferee company be convened to decide on the approval of merger by absorption within one month from the date of the general meeting of the transferor company approving the merger by absorption. The articles of association of the transferee company may also stipulate that shareholders holding a lower percentage of share capital shall have the right to request the convening of the general meeting. The notice referred to in paragraph (1) of Article 586 shall remind shareholders of this right.

(4) When the transferee company holds all shares of the transferor company, and the merger by absorption concerns only this transferor company, the provisions of the third and fourth points of paragraph (2) of Article 581, of the first and second indents of point 2 of paragraph (2) of Article 582 and of Article 583 of this Act need not be observed.

(5) The provisions of Articles 582 and 583 and of paragraphs (1) and (2) of Article 586 of this Act shall not apply when all shareholders of each merging company give a statement (declaration) in the form of a notarial record waiving the use of these provisions. The shareholders may give their statement waiving the use of these provisions orally at the general meeting deliberating the approval of the merger by absorption. Such a statement shall be included in the minutes of the general meeting.

Article 600

(Offer of cash compensation in the merger by absorption contract)

(1) If shares of the transferor company are freely transferable, but the articles of association of the transferor company provides that the transfer of shares is subject to the company's permission, each shareholder of the transferor company making an objection for the record against the resolution of the general meeting that decides on granting consent to merger by absorption may require that the transferee company acquire the shares it has the obligation to provide to him/her because of merger by absorption, against the payment of appropriate cash compensation. This right shall also be enjoyed by a shareholder of the transferor company who did not attend the general meeting, if he/she was unlawfully prevented from attending the general meeting, or if the general meeting was not correctly convened, or if the subject put to a resolution at the general meeting was not correctly published.

(2) The transferee company shall offer appropriate cash compensation in the merger by absorption contract. In the announcement of the convocation of general meetings of all merging companies that are to decide on the approval of merger by absorption, it shall be indicated that cash compensation had been offered by the transferee company.

(3) The cost connected to the transfer of shared referred to in paragraph (1) shall be borne by the transferee company.
Article 601

(Amount of cash compensation and review of appropriateness of the amount of cash compensation)

(1) In determining appropriate cash compensation, it is necessary to duly take into account the share ratios in the transferor company at the time of the general meeting deciding on the approval of the merger by absorption. The provision of paragraph (1) of Article 612 of this Act shall apply, mutatis mutandis, to remuneration of cash compensation.

(2) The appropriateness of the amount of cash compensation offered by the transferee company in the merger by absorption contract shall be assessed by a merger expert. The provisions of Article 583 of this Act shall apply, mutatis mutandis, to the assessment of the appropriateness of the amount of cash compensation.

(3) Persons entitled to cash compensation may renounce examining the appropriateness of cash compensation or reporting on the appropriateness of the amount of cash compensation. The statement of renunciation shall be drawn up in the form of a notarial record.

Article 602

(Acceptance of cash compensation offer)

The offer of cash compensation shall be binding for the transferee company for two months from the date of the registering of the merger by absorption. When a judicial review of cash compensation is being carried out, the offer of cash compensation shall be binding for the transferee company for two months from the date of publication in compliance with Article 613 in connection with Article 603 of this Act.

Article 603

(Judicial review of the amount of cash compensation)

Shareholders referred to in paragraph (1) of Article 600 of this Act may request a judicial review of the amount of cash compensation. Provisions of paragraphs (2) and (3) of Article 605 and of Articles 606 and 615, with the exception of the second sentence of paragraph (4) of Article 607 and of paragraphs (2) to (6) of Article 612 of this Act, shall apply, mutatis mutandis, to the judicial review of the amount of cash compensation.

Article 604

(Exclusion of grounds for challenging)

The following shall not be admissible as grounds for challenging a resolution of the general meeting of a merger company on approval of merger by absorption:

1. the provision of transferee company's shares at the share exchange ratio defined in the merger contract, or the provision of any additional cash payments is not adequate compensation for the shares of the transferor company;

2. the amount of cash compensation is not appropriate or the cash compensation has not been offered or not been offered correctly; or

3. the justification or explanation of the share exchange ratio or any additional cash payments in reports referred to in Articles 582 to 584 of this Act is not in compliance with this Act.
Article 605
(Judicial review of the conversion ratio; eligible proposers)

(1) If shares of the transferee company at the conversion rate defined in the terms of merger by absorption, or any additional cash payments defined in the terms of merger by absorption are not appropriate compensation for the shares of the transferor company, any shareholder of the merging company may request additional cash payment from the transferee company in order to balance such difference (hereinafter: additional cash payment).

(2) A shareholder shall exercise the right referred to in the preceding paragraph by filing a request for a judicial review of the conversion ratio.

(3) A request for a judicial review of the exchange ratio may be made by shareholders who fulfil the following conditions:

- have had the status of shareholder throughout the period between the day the general meeting of the company whose shareholder he/she was adopted the resolution approving merger by absorption, and the day of filing a request for judicial review of the conversion ratio; and

- did not waive the right to additional cash payment under Article 606 of this Act; and

- their joint shares in each of the merging company are at least one hundredth of the share capital of such company, or that the value of their joint minimum issue amount is at least EUR 25,000, or that they together hold all shares that meet the requirements referred to in the first and second indents of this paragraph.

Article 606
(Waiving the right to additional cash payment)

Shareholders may waive their right to additional cash payment with a statement in the form of a notarial record. Shareholders may also give their waiver orally at the general meeting deliberating the approval of the merger by absorption. In this case, the statement shall be included in the minutes of the general meeting. Such waiver of the right to additional cash payment shall also apply to any future holders of such shares whose holders had waived their right to additional cash payment.

Article 607
(Procedure of judicial review of the conversion ratio)

(1) Unless otherwise provided by this Act, the provisions of the act governing non-litigious procedures shall apply to deliberating the request for additional cash payment.

(2) In the proceedings, the court may establish facts that have not been stated by the parties, and examine additional evidence that has not been proposed by the parties.

(3) The time limit for filing a request for judicial review of the exchange ratio shall be one month. The time limit for filing the request shall start on the day of the entry of the merger by absorption in the relevant register. The court shall publish the announcement that a request had been filed for a judicial review of the conversion ratio in Uradni list Republike Slovenije. Shareholders who fulfil the conditions referred to in the first point of paragraph (3) of Article 605 of this Act may file their requests for judicial review of the conversion ratio within one month of the publication of such announcement. No request for judicial review of the
conversion ratio may be made after the expiry of such time limit. The requirement referred to in the preceding sentence shall be given special emphasis in the announcement.

(4) The opposing party in the proceedings of judicial review of the conversion ratio is the transferee company. During the proceedings at the first instance, the latter may ask the court to allow it to provide additional shares instead of additional cash payments.

(5) An appeal shall be permitted against the decision of the court concerning the request of the judicial review of the conversion ratio within one month of the day of service of the copy of such decision. The appeal may only be filed by the transferee company, by each of the proposers and by each common representative. In the case the court had allowed the transferee company to provide additional shares instead of additional cash payments, the appeal against the decision of the court concerning the request of the judicial review of the conversion ratio may also be filed by the shareholders of the transferor company whose rights had been curtailed by the provision of additional shares. The time limit for responding to an appeal shall be one month.

(6) An appeal on points of law shall be admissible in the proceedings of the judicial review of the conversion ratio.

Article 608

(Common representative)

(1) With the aim of protecting the shareholders of each of the merging companies who had not filed a request for judicial review of the conversion ratio and had not waived their right to additional cash payment under Article 606 of this Act, the court shall, ex officio, appoint a common representative of such shareholders.

(2) The common representative shall have the status of legal representative. In promoting the interests of shareholders, he/she shall act with due diligence, in particular when adopting decisions concerning settlement, continuation of the proceedings after the withdrawal of all requests for judicial review of the conversion ratio or the filing of a remedy. If shareholders have suffered a loss due to a wrong decision by the common representative, the common representative shall be liable to make good such loss only in the case he/she has caused the damage by intent or gross negligence.

(3) Only a lawyer, a notary or an expert person (auditor) may be appointed common representative. The person appointed may refuse the appointment only if justifiable grounds for that exist.

(4) As common representative, it is not permissible to appoint any person who:

1. holds shares of the transferee company that represent at least 5% of the share capital of the transferee company;

2. is a member of the management and supervisory bodies of the transferee company or is employed by the transferee company; or

3. is a member of the management or supervisory body of a company with share capital or a partner of an unincorporated company that is a group member or an associate company of the merging company.

(5) There shall be no obligation to appoint a common representative of shareholders of individual merging companies if all shareholders of such a company who fulfil the requirements under the first indent of point one of paragraph (3) of Article 605 of this Act waive their right to a common representative with a statement made by applying, mutatis mutandis, the provisions of Article 606 of this Act.
(6) The special representative shall be entitled to reimbursement of his/her costs and to a remuneration for his/her work. The amount of costs to be reimbursed and of the emolument shall be determined by the court. The costs and the emolument shall be the costs of the proceedings. At the request of the common representative, the court may order the transferee company to make an advance payment to cover the costs and the emolument of the common representative.

(7) After the withdrawal of all requests for judicial review of the conversion rate, the common representative shall continue the proceedings in the case that, according to the due diligence principle, a favourable outcome of the proceedings may be anticipated.

Article 609

(Settlement board for the review of the conversion rate)

(1) The court may obtain the opinion of a settlement board for review of the conversion ratio (hereinafter: settlement board) and must obtain such an opinion if so required by any of the parties in the procedure. The settlement board must provide its opinion without undue delay. The settlement board shall not have the status of expert witness as defined by the act regulating civil procedure.

(2) At the request of the court to submit an opinion, the president of the settlement board from the first indent of paragraph (2) of Article 615 of this Act shall immediately set up a settlement board for the individual case, composed of a president and three members. The president of the settlement board for the individual case shall be the president or deputy president of the settlement board referred to in paragraph (2) of Article 615 of this Act. If a company whose shares are admitted to trading on regulated market is participating in a merger by absorption, the settlement board for the individual case shall be enlarged by two members appointed in accordance with paragraph (3) of Article 615 of this Act.

(3) The court shall provide administrative and technical assistance to the settlement board.

(4) Meetings of the settlement board shall be chaired by its president. A meeting shall be convened immediately after the court had requested the submission of an opinion.

(5) There shall be a quorum in the settlement board when all its members are present. The settlement board shall take its decisions by majority vote of its members; no member may abstain from voting.

(6) Prior to the submission of its opinion, the settlement board may call upon external experts or obtain expert opinions; any costs involved shall be considered costs of the proceedings.

(7) The settlement board shall have the right to require explanations (clarifications) from all merging companies. The management of such companies shall allow the settlement board to examine the companies’ books of account and documents. The obligation to provide explanations applies equally to the external experts referred to in the preceding paragraph.

Article 610

(Settlement procedure in the settlement board)

(1) The settlement board shall remind the parties to the procedure of the possibility of settlement and assist them in reaching a settlement. The agreement of parties to settle in the settlement board shall be recorded in the minutes. A settlement shall be deemed to have been concluded when all members of the settlement board and all parties to the procedure or their representatives have signed such minutes.
(2) The minutes of the settlement shall be sent to the court; if the conditions referred to in the second and third sentence of the preceding paragraph are fulfilled, the court shall approve the settlement. The approved settlement shall have the effect of a court settlement. At their request, the parties shall be given an authenticated copy of the minutes in which the settlement is recorded.

Article 611

(Effect of final court decisions or settlements)

(1) A final decision of the court concerning the request of the judicial review of the conversion ratio, a final court settlement and a final settlement in the settlement board shall affect the transferee company and all shareholders of merging companies.

(2) By way of the decision or settlement referred to in the preceding paragraph, all shareholders shall be provided equal additional cash payments or an equal number of additional shares for each share. This also applies in the case the shareholders or their common representative had requested lower additional cash payment.

(3) The provisions of the preceding paragraph do not apply to shareholders who waived the right to additional cash payment in compliance with Article 606 of this Act.

Article 612

(Remuneration of additional cash payments, issuing of additional shares)

(1) Additional cash payments determined by a final court decision or settlement referred to in paragraph (1) of the preceding Article shall carry, from the day of registering the merger by absorption, interest at the interest rate of the business bank of the transferee company for cash deposits for the period equal to the time elapsed from the date the merger by absorption was registered, and the date of the court decision or the settlement.

(2) In the case the final court decision or settlement referred to in paragraph (1) of the preceding Article gives the transferee company the right to provide additional shares instead of additional cash payment, the transferee company may provide additional shares instead of additional cash payment subject to the fulfilment of requirements referred to in paragraphs (3) to (6) of this Article.

(3) The transferee company shall first provide additional shares from their own shares.

(4) In the case the transferee company has no own shares or has too few own shares to fulfil the obligation to provide additional shares, the transferee company may issue new shares in compliance with the procedure of increase of share capital, on the condition that such shares are to be provided only to those shareholders who have the right to additional shares. No contributions for additional shares shall be paid in.

(5) An increase of share capital of the transferee company for providing additional shares referred to in the preceding paragraph shall only be allowed:

1. if, in the latest or interim balance sheet prepared on the cut-off date no more than eight months prior to the deciding on the share capital increase, the total amount of other revenue and retained profit and of net profit from previous periods is at least equal to the minimum issue price of additional shares; or

2. if the total amount of the increased share capital and reserves that the company is obliged to create and may not use for the increase of the share capital equals the total value of the company's assets less the company's liabilities, or is lower than this value.

(6) The provisions of paragraphs (1) and (2) of Article 588 of this Act and for cases referred to in point 2 of the preceding paragraph as well as provisions in paragraphs (3) and
(4) of Article 588 of this Act shall apply, *mutatis mutandis*, to the increase of share capital for the issuing of additional shares.

**Article 613**

(Publishing final court decisions or settlements)

The management of the transferee company shall publish the final court decision or settlement referred to in paragraph (1) of Article 611 of this Act in *Uradni list Republike Slovenije* within 30 days of the date on which it learned that such decision or settlement is final.

**Article 614**

(Costs of procedure)

1. The costs of the procedure of judicial review of the conversion ratio together with the cost of common representatives shall be borne in advance by the transferee company. At the proposal of the transferee company, the court may impose on the party proposing the proceedings that it cover all or part of the costs of the proceedings in the event such party should have been aware, from the date of filing the request or from a later date, that costs are being created that are not proportional to the rights exercised in the procedure.

2. Notwithstanding the preceding paragraph, each party to the procedure shall cover the costs of their legal representatives.

3. The court shall impose on the transferee company that it refund to the proposing party the costs of their legal representatives if, during the judicial review of the conversion ratio, significant deviations from either the conversion ratio or from additional cash payments, as defined in the terms of merger, are established.

4. If the justification or explanation of the conversion ratio or any additional cash payments in reports referred to in Articles 582 to 584 of this Act is not in compliance with this Act, the court shall impose on the transferee company to refund to the proposing party that part of the cost of their legal representatives that arose before the date the proposers should have been aware that costs being created were not proportional to the rights exercised in the procedure.

**Article 615**

(Appointment of members of the settlement board and their remuneration; protection of confidential information)

1. A person who meets the conditions laid down in paragraph (2) of Article 255 of this Act may be appointed as member of the settlement board.

2. Ministers responsible for the economy, justice and finance shall appoint to the settlement board the following from among experts in law, accounting, finance and auditing:
   - a president and at least one deputy; and
   - a sufficient number of members.

3. The two members appointed in specific cases when a company whose shares are traded on the regulated market is participating in a merger by absorption shall be appointed by the ministers referred to in the preceding paragraph at the proposal of the Securities Market Agency (ATVP).
(4) Members of the settlement board shall be appointed for a term of five years and may be reappointed.

(5) The ministers referred to in paragraph (2) of this Article shall dismiss a member of the settlement board who no longer fulfils the requirements provided for by this Act, and shall appoint a new member.

(6) Provisions of the act governing civil proceedings on the exclusion of a judge shall apply, mutatis mutandis, to the exclusion of a member of the settlement board. Members of the settlement board shall protect the confidentiality of any information they receive during the performance of the functions of a member of the settlement board, and shall be authorised to use such information only for the discharge of their functions. Members of the settlement board are independent in performing their functions.

(7) The ministers referred to in paragraph (2) of this Article shall issue rules on criteria determining remuneration of members of the settlement board.

Article 616

(Merger by formation of a new company)

(1) The provisions of this Act relating to merger by absorption shall apply, mutatis mutandis, to the merger by formation of a new company. The new company shall be considered the transferee company.

(2) Merger by formation of a new company shall be allowed in cases when the merging companies have been registered for at least two years.

(3) The articles of association of the new company and the appointment of members of its supervisory board or its board of directors shall be approved by the general meetings of all merging companies.

(4) The provisions of this Act relating to the establishment of a public limited company shall apply, mutatis mutandis, to the formation of a new company.

(5) The management bodies of the merging companies shall send notification of the new company to the register for its entry in the register (for registration). On the date on which the new company is registered, the assets and liabilities of the merging companies shall be transferred to the new company.

(6) Mutual rights and liabilities under contracts signed by merging companies shall be defined separately.

(7) On the date on which the new company is registered, the merging companies shall be dissolved. Removal from the register of merging companies shall not be required. On the date on which the new company is registered, shareholders of merging companies shall become shareholders of the new company; however, the new company may not gain possession of its own shares in this manner.

(8) The management of the new company shall send notification to the register for entry in the register of all merging companies. The merger by formation of a new company may be registered only after the new company had been entered in the register.

Section 2

MERGER OF PARTNERSHIPS LIMITED BY SHARES AND PUBLIC LIMITED COMPANIES
Article 617

(Application of provisions relating to merger of public limited companies)

(1) Partnerships limited by shares may merge with other partnerships limited by shares. Similarly, one or more partnerships limited by shares may merge with a public limited company, or one or more public limited companies may merge with a partnership limited by shares.

(2) The provisions of this Act relating to merger of public limited companies shall apply, mutatis mutandis, to such a merger.

3. Section 3

MERGER OF LIMITED LIABILITY COMPANIES

Article 618

(General; contents of merger agreement)

(1) Limited liability companies may participate in mergers of companies limited by shares.

(2) The provisions of this Act relating to merger of limited liability companies shall apply, mutatis mutandis, to mergers of companies limited by shares in which limited liability companies participate unless otherwise provided in this subsection.

(3) If a limited liability company participates in a merger by forming a new company as the transferee company, the merger by absorption agreement (terms of merger) shall indicate the amount of the capital contribution and the business share in the transferee company that will be obtained by each partner or shareholder of the transferor company in exchange for the business share or shares of the transferor company.

(4) If, in exchange for the business share or shares of the transferor company, the limited liability company as transferee company provides, to partners or shareholders of transferor companies, business shares that give rise to rights or liabilities different from rights or liabilities arising from other business shares of the transferee company, such different rights or liabilities shall be defined in the merger by absorption agreement.

(5) If in exchange for the business share or shares of the transferor company, the limited liability company as transferee company provides to partners or shareholders of transferor companies own business shares, in the merger by absorption agreement shall be listed the partners or shareholders who will be given such own business shares, and the amount of their capital contributions.

(6) If a limited liability company participates in a merger by the formation of a new company as the transferor company, each shareholder of the transferor company who, at the general meeting of the transferor company, challenged the resolution on the approval of merger by absorption (and this was recorded in the minutes) may request from the transferee company to take over the business share to which he/she is entitled because of the merger by absorption, and to pay him/her adequate cash compensation. Any shareholder of the transferor company who did not attend the general meeting shall have the same right in the case he/she was illegally prevented from attending the general meeting, or the general meeting had not been regularly convened, or if the subject of the resolution at the general meeting was not properly published. Provisions of paragraphs (2) and (3) of Article 600 and of Articles 606 to 608 of this Act shall apply, mutatis mutandis, to the severance pay referred to in this paragraph.
(7) If a limited liability company participates in a merger by the formation of a new company as the transferor company, and the transferee company is a public limited company, provisions of the preceding paragraph shall apply, *mutatis mutandis*, to rights of partners of the transferor limited liability company.

**Article 619**

**(Preparation and holding of the general meeting)**

(1) The provisions of paragraphs (1), (4) and (6) of Article 586 of this Act shall apply to the preparation and holding the general meeting of a limited liability company participating in a merger (resulting in a new company).

(2) At least 14 days prior the session of the general meeting of a limited liability company that will decide on the approval of merger, each shareholder of such company shall be sent, together with the invitation to the general meeting, all documents referred to in paragraph (2) of Article 586 of this Act.

(3) At the general meeting of a limited liability company, the management (board of directors) shall explain verbally to any shareholder, upon his request, issues concerning other merging companies, if such matters are of consequence for the merger by absorption. Provisions of the first and third indent of paragraph (2) of Article 305 of this Act shall apply, *mutatis mutandis*, to the obligation of the management to provide explanations. Shareholders shall be reminded of this right in the convocation of the general meeting.

**Article 620**

**(Approval of merger resulting in a new company by the general meeting)**

(1) A resolution of the general meeting of a limited liability company shall be deemed to have been validly adopted if Company Members who have at least three quarters of the votes are in favour. A larger majority and other requirements may be stipulated by the memorandum of association. The resolution shall be notarised.

(2) If any Company Members of the limited liability company that is the transferor company had, under the memorandum of association, rights concerning management, the appointment of management and supervisory bodies or concerning the transfer of business shares, and in the merger agreement they will not be granted equal rights under the articles of association or the memorandum of association of the transferee company, the resolution of the general meeting on approval of merger shall be valid subject to the approval of such Company Members.

(3) If the memorandum of association of a limited liability company that is a transferor company provides that the disposal of a shareholding to a person who is not a Company Member is subject to authorisation of a Company Member, the resolution of the general meeting on approval of merger shall be valid subject to the approval of such Company Member.

(4) If the memorandum of association of a limited liability company that is a transferor company provides that resolutions shall be deemed to be valid if adopted by a majority vote of more than three quarters of all votes, the same majority shall be necessary for the validity of the resolution approving the merger, unless the articles of association or the memorandum of association of the transferee company provide for the same level of protection of minority rights.

(5) If capital contributions of any of the merging companies are not fully paid in, the validity of resolutions approving the merger adopted by general meetings of other merging limited
liability companies shall be subject to the approval of all Company Members of such companies.

(6) A shareholder of a transferor company may also give the approval referred to paragraphs (2) to (5) of this Article outside the general meeting, provided that such statement is given at the latest within three months from the date of the adoption of the resolution approving merger. The statement on the approval referred to in the preceding sentence shall have the form of a notarial record that includes the text of the merger contract.

Article 621

(Scrutiny by the supervisory board; examination (audit) of merger)

(1) Company members of a merging limited liability company may waive the application of provisions on scrutiny of the merger by the supervisory board by applying, mutatis mutandis, the provisions of paragraph (5) of Article 599 of this Act.

(2) Provisions of Article 583 of this Act shall be used for a merging limited liability company only if so proposed by a Company Member of such company.

(3) If the company does not take into consideration the proposal made by a Company Member referred to in the preceding sentence, the Company Member shall, at the general meeting deciding on the merger, state for the record that his/her proposal was not taken into consideration. The statement referred to in the preceding sentence shall be considered an objection to the merger.

Article 622

(Increase of share capital)

If a limited liability company, as transferee company, increases its share capital following a merger by absorption, the provisions of paragraphs (3) to (5) of Article 517 and Article 519 of this Act shall not apply to such increase of share capital.

Section 4

SPECIAL RULES FOR CROSS-BORDER MERGERS OF COMPANIES LIMITED BY SHARES

Article 622a

(General rules and definition of terms)

(1) Provisions of this Section shall apply to cross-border mergers of companies limited by shares.

(2) A company limited by shares that may be involved in a cross-border merger in compliance with this Section shall be:

1. a company referred to in Article 1 of Directive 68/151/EEC; or

2. a company with recognised legal personality that is exclusively liable for its liabilities with its own assets, and for which safeguards for the protection of the interests of members and others apply, provided for in Directive 68/151/EEC.

(3) The terms used in this Section shall have the following meaning:

1. 'company resulting from the cross-border merger' means:
a new company resulting from the merger, to which all the assets of the merging companies are transferred (paragraph (3) of Article 580 of this Act); or

- a transferee company, to which all the assets of one or more companies being merged by absorption are transferred (paragraph (2) of Article 580 of this Act);

2. 'holder of shares' is a shareholder, a Company Member of a limited liability company, or a Company Member of a partnership limited by shares;

3. 'share' means a shareholding in a limited liability company, or a share in a public limited company or in partnership limited by shares;

4. 'articles of association' means the act on the establishment, a social agreement of a limited liability company, articles of association of a public limited company, or of a partnership limited by shares.

**Article 622b**

(Cross-border merger)

(1) Public limited companies, partnerships limited by shares and limited liability companies having their registered office in the republic of Slovenia may:

- as transferor companies participate in cross-border mergers with companies limited by shares constituted under the law of another Member State, having their registered office, management or main place of business in Member States, or if these companies have a branch office in these Member States; or

- as companies resulting from the cross-border merger of two or more companies limited by shares constituted under the law of different Member States.

(2) If not provided otherwise in this Section, cross-border mergers are, mutatis mutandis, subject to provisions of Part VI, Chapter 2 of this Act.

(3) The date of validity of a cross-border merger shall be defined in compliance with the law applicable for the new company resulting from the cross-border merger.

(4) Provisions of this Section shall not apply to cross-border mergers involving a company whose objective is the collective investment of capital provided by the public, which operates on the principle of spreading risk, and the shares of which are, at the holders' request, repurchased or redeemed, directly or indirectly, out of the assets of that company. Action taken by such a company to ensure that the stock exchange value of its shares does not vary significantly from its net asset value shall be regarded as equivalent to such repurchase or redemption.

**Article 622c**

(Terms of cross-border merger)

(1) Managements or management bodies of each merging company shall draw up common terms of cross-border merger.

(2) The terms of cross-border merger shall specifically include:

1. the form, name and registered office of each of the merging companies and those of the company resulting from the cross-border merger;

2. the ratio applicable to the exchange of shares of each merging company for shares of the company resulting from the cross-border merger (exchange ratio), including the amount
of any cash payment expressed in cash payment in relation to each share of the transferor (acquired) company;

3. detailed information on procedures concerning the transfer of shares of the company issued from cross-border merger, and payment of cash payment; if the company issued from cross-border merger fails to provide shares the reasons for such failure shall also be stated;

4. detailed information on the likely repercussions of the cross-border merger on the situation of employees in merging companies;

5. the date from which holders of shares of the company issued from cross-border merger, provided by the company as a result of a cross-border merger, will be entitled to share in profits of such company, and all details in relation to the exercise of this right;

6. the date from which the transactions of the merging companies will be treated for accounting purposes as being those of the company resulting from the cross-border merger (cut-off date of merger);

7. the rights granted to holders of special rights from shares of acquired companies, and the measures proposed for the exercise of such rights;

8. any special advantages granted to members of the management or supervisory bodies of the merging companies, or to experts (auditors) who examine the cross-border merger;

9. the proposed articles of association of the company resulting from the cross-border merger;

10. where appropriate, information on the procedures by which arrangements for the involvement of employees in the definition of their rights with respect to their participation in the company resulting from the cross-border merger are determined pursuant to Article 16 of Directive 2005/56/ES;

11. information on the evaluation of the assets and liabilities that are transferred to the company resulting from the cross-border merger; and

12. the cut-off date of the merging companies' accounts used to establish the conditions of the cross-border merger.

The terms of cross-border merger shall also contain the offer for the acquisition against payment of adequate cash compensation of the shares of those holders who gave an oral statement opposing the resolution on the approval of the cross-border merger at the general meeting that decided on the merger. This right shall also be enjoyed by a shareholder in the acquired company who did not attend the general meeting if he/she was unlawfully prevented from attending the general meeting, or if the general meeting was not correctly convened, or if the subject put to a resolution at the general meeting was not correctly published. The liability to provide cash compensation may be assumed by the company resulting from the cross-border merger, or any other person. No offer of cash compensation shall be required if the same person is the holder of all shares of a company, or if all persons entitled to such cash compensation waive their entitlement. The waiver (statement of renunciation) shall be drawn up in the form of a notarial record.

(4) When the transferee company holds all shares of the transferor company and the cross-border merger concerns only this transferor company, it shall not be necessary to comply with the provisions of points 2, 3 and 5 of paragraph (2) of this Article, of the first and second indents of point 2 of paragraph (2) of Article 582 and of paragraph (5) of Article 583 of this Act.

(5) The terms of cross-border merger shall be notarised.
Article 622č

(Report of the management or the management body on cross-border merger)

(1) The report of the management or the management body on cross-border merger shall explain the legal and economic implications of the cross-border merger for holders of shares, creditors and employees of merging companies.

(2) The report on cross-border merger shall be made available to the representatives of the employees or, where there are no such representatives, to the employees themselves, not less than one month before the date of the general meeting of each of the merging companies that shall decide on the approval of cross-border merger.

(3) Where the management or management organ of any of the merging companies receives, in good time, an opinion from the representatives of their employees, that opinion shall be appended to the report.

(4) It is not possible to waive the requirement to prepare the report on cross-border merger.

Article 622d

(Examination (audit) of cross-border merger)

(1) When cross-border merger concerns a company constituted as a limited liability company, the provisions of Article 583 and of paragraph (5) of Article 599 of this Act shall apply, mutatis mutandis, to the examination of cross-border merger.

(2) The experts who examine the cross-border merger (auditors) shall draw up a written report on the examination of cross-border merger. The report on the examination of the cross-border merger may also be drawn up jointly for all the companies participating in the cross-border merger. For the purpose of drawing up the report, the experts are entitled to request any information necessary to accomplish their task from all the companies involved in the cross-border merger.

(3) The report on the examination of cross-border merger shall contain an opinion from the expert or experts (auditor or auditors) as to whether the cash compensation offered is suitable compensation for the shares in the company being transferred. The report shall state in particular:

1. which methods for the valuation of companies were used to determine the amount of cash severance proposed in the terms of cross-border merger;

2. the reasons the use of these methods in this particular case is appropriate for determining the amount of cash severance; and

3. where several methods were used for the determination of the cash severance, what value has been established for the use of each of the methods; at the same time, an opinion has to be issued on the relative significance attached to such methods in the calculation of value to be decided, and any specific problems in the process of valuation of companies participating in the cross-border merger must be described.

(4) No opinion of the expert on the amount of cash severance shall be required if the same person is the holder of all shares of a company, or if all persons entitled to such cash severance waive their entitlement. The waiver shall be drawn up in the form of a notarial record.
(5) When the cross-border merger results in the transfer of assets, rights and liabilities of a company having its registered office in the Republic of Slovenia to a company resulting from the cross-border merger having its registered office in another Member State, the report on the examination of the cross-border merger shall also indicate the amount of the share capital of merging companies, and the amount of tied-up revenue of such companies.

Article 622e

(Preparation and holding of the general meeting)

(1) When cross-border merger concerns a company constituted as a limited liability company, for the preparation and holding of a general meeting that shall decide on the approval of cross-border merger, provisions of Article 586, and not of Article 619, of this Act shall apply.

(2) The terms of cross-border merger shall be submitted to the registration body and the notification thereof shall be published in compliance with provisions of the first and second sentences of paragraph (1) of Article 586 of this Act. The notification of the submission of the terms of cross-border merger to the registration body shall also contain the following:

1. the legal form, the name and the registered office of each merging company;

2. the register in which the documents referred to in Article 3(2) of Directive 68/151/EEC for each merging company are kept, together with the number of the entry in that register; and

3. the method for exercising the rights of creditors and holders of shares of each merging company, and the address where full relevant information may be obtained free of charge.

When the cross-border merger results in the transfer of the assets, rights and liabilities of a company having its registered office in the Republic of Slovenia to a company resulting from the cross-border merger having its registered office in another Member State, and the amount of the share capital and of capital reserves of the company resulting from the merger will be less than the amount of the share capital and of capital reserves of the acquired company, the known creditors of the acquired company shall be notified in person.

(3) At their request, each creditor of the acquired company having its registered office in the Republic of Slovenia whose assets, rights and liabilities are being transferred to a company resulting from the cross-border merger having its registered office in another Member State, must be provided with a copy of documents referred to in paragraph (2) of Article 586 of this Act free of charge, on the next working day at the latest.

(4) It is not possible to waive the requirement to submit the report on cross-border merger to the registry or to publish the notification of the submission.

Article 622f

(Approval of the cross-border merger by the general meeting)

1) If the transferee company is the holder of all shares of the transferor company, approval of the general meeting of the transferor company is not necessary for the resolution on the approval of cross-border merger to be valid.

(2) The general meeting of each of the merging companies may reserve the right to make implementation of the cross-border merger conditional on express ratification by it of the arrangements decided on with respect to the participation of employees in the company resulting from the cross-border merger.
Article 622g

(Offer of cash compensation in the terms of the cross-border merger)

(1) Each shareholder of the transferor (acquired) company having its registered office in the Republic of Slovenia, whose assets, rights and liabilities are being transferred to a company resulting from the cross-border merger having its registered office in another Member State, who has given an oral statement opposing the resolution on the approval of cross-border merger may require the company resulting from the cross-border merger or any other person that undertook to pay cash compensation to take over the shares, which must be provided to him/her for the purpose of the cross-border merger against payment of appropriate cash compensation. This right shall also be enjoyed by a shareholder in the acquired company who did not attend the general meeting if he/she was unlawfully prevented from doing so, or if the general meeting was not correctly convened, or if the subject put to a resolution at the general meeting was not correctly published.

(2) The offer of cash compensation is binding for the offeror for one month from the date of adoption of the resolution on the approval of cross-border merger. The offer is subject to a suspensive condition of registration of the cross-border merger. The period of limitation of the obligation of payment of cash compensation shall be three years following the date of the publication of the registration of the cross-border merger. The costs of acquisition of shares shall be covered by the company (resulting from the cross-border merger) or any other person that undertook to pay cash compensation in the terms of cross-border merger.

(3) In order to meet this obligation, the persons entitled to cash compensation referred to in paragraph (1) of this Article shall receive cash compensation or be provided with appropriate security.

(4) The registration authority may issue the certificate referred to in paragraph (4) of Article 622k of this Act only after having been satisfied that, for the fulfilment of the obligation of payment of cash compensation, appropriate security has been provided or that all persons entitled to such cash compensation waived this right.

(5) When the articles of association provide that transfer of shares is subject to permission of the company or shareholders, shares may be transferred without permission from the date of adoption of the resolution on the approval of the cross-border merger to the expiry of the period for accepting the offer of cash compensation.

Article 622h

(Judicial review of assessing the amount of cash compensation)

Holders of shares who gave a statement opposing the resolution on the approval of the cross-border merger on record may request a judicial review of the appropriateness of the cash compensation. This right shall also be enjoyed by a shareholder who did not attend the general meeting if he/she was unlawfully prevented from attending it, or if the general meeting was not correctly convened, or if the subject put to a resolution at the general meeting was not correctly published, the provisions of Article 603 of this Act shall apply, mutatis mutandis, to a judicial review of the appropriateness of the amount of cash compensation.

Article 622i

(Exclusion of reasons to challenge, special cases of judicial review of the exchange ratio)
(1) A resolution of the general meeting on the approval of a cross-border merger may not be challenged for reasons referred to in Article 604 of this Act.

(2) When a cross-border merger concerns companies from Member States whose jurisdiction does not provide for the procedure of judicial review of the exchange ratio, the resolution of the general meeting on the approval of the cross-border merger may not be challenged for the reasons referred to in Article 604 of this Act only when general meetings of all companies having their registered offices in other Member States that are concerned by cross-border merger, whose jurisdiction does not provide for the procedure of judicial review of the examination of the exchange ratio, when adopting the resolution on approval of cross-border merger expressly agree on the following:

1. shareholders of the company having its registered office in the Republic of Slovenia may propose a judicial review of the exchange ratio against the company resulting from the cross-border merger having its registered office in the Republic of Slovenia; or

2. shareholders of the company having its registered office in the Republic of Slovenia may propose a judicial review of the exchange ratio against a company resulting from the cross-border merger having its registered office in another Member State in the manner and under the conditions provided for in Articles 605 to 615 of this Act.

(3) In cases under point 2 of the preceding paragraph, the proposal for judicial review of the exchange ratio can only be lodged by those shareholders who, at the general meeting deciding on the approval of the cross-border merger gave an oral statement of their intention to lodge a proposal for judicial review of the exchange ratio, or who have announced the lodging of such a proposal within one month from the adoption of the resolution on the approval of the cross-border merger. The certificate referred to in paragraph (4) of Article 622k shall indicate which, if any, shareholders have announced the lodging of a proposal for a judicial review of the exchange ratio.

(4) Holders of shares of each transferor company having its registered office in another Member State may lodge a proposal for a judicial review of the exchange ratio under the following conditions:

1. if it is evident from the certificate issued for this company that holders of shares have lawfully waived their right to challenge the resolution of the general meeting on the approval of the cross-border merger for reasons linked to the exchange ratio; and

2. all transferor (acquired) companies established in other Member States agree to submit a request for a judicial review of the exchange ratio.

Article 622j

(Protection of creditors and holders of special rights)

(1) Creditors of the transferor company having a registered office in the Republic of Slovenia whose assets, rights and liabilities are being transferred to a company resulting from the cross-border merger having its registered office in another Member State have the right to require security for their non-matured, uncertain claims or conditional claims within one month after the publication of the notification of the submission of the terms of cross-border merger to the registry. Creditors may only exercise this right only if they demonstrate the probability that the fulfilment of their claims is jeopardised by the cross-border merger. The fulfilling of their claims shall be considered jeopardised when the sum of the share capital and capital reserves of the company resulting from the cross-border merger is lower than the sum of the share capital and the capital reserves of the transferor (acquired) company. Creditors who are entitled to priority payment in the case of bankruptcy proceedings shall not be entitled to request security.
(2) If the transferor (acquired) company had issued convertible bonds, bonds conferring pre-emptive rights or dividend bonds, or has otherwise secured to individual persons special rights to participate in the profit, the holders of such rights such rights shall be provided with equivalent rights in the company resulting from the cross-border merger.

(3) The registration body may issue the certificate referred to paragraph (4) of Article 622k of this Act only after having satisfied itself that creditors who are entitled to protection under paragraph (1) of this Article have been granted this right and after having satisfied itself that holders of special rights referred to in the preceding paragraph have been provided with equivalent rights.

**Article 622k**

**Prior scrutiny of the legality of cross-border merger, certificate issued by the court**

(1) The management of the company that transfers its assets, rights and liabilities to the company resulting from the cross-border merger having its registered office in another Member State shall make an application for entry of the intended merger in the register.

(2) The application for entering the intended merger in the register shall be accompanied by the following:

1. The plan for the cross-border merger;

2. The minutes of the general meeting of the transferor (acquired) company that decided on the approval of the cross-border merger;

3. The authorisation of the competent body, if required for cross-border mergers;

4. The report of the management of the acquired company on cross-border merger;

5. The report or reports on the examination on cross-border merger;

6. The final report of the transferor (acquired) company;

7. evidence that the intended cross-border merger was published in compliance with the provisions of Article 622e of this Act;

8. proof that all conditions for the exercise of the rights of holders of shares have been met and approval of companies having their registered office in other Member States to initiate the procedure for judicial review of the amount of cash compensation;

9. proof that all conditions for the exercise of the rights of creditors in compliance with paragraph (1) of Article 622j of this Act or statement that such evidence is not required;

10. a statement from the management of the transferor (acquired) company in compliance with, *mutatis mutandis*, the provision of point 1 of paragraph (2) of Article 590 of this Act; and

11. a statement from the management of the transferor company on the number of holders of shares who exercise their right to request acquisition of shares against payment of cash compensation, and on the method of exercising this right.

(3) If the management does not submit the statements referred to in points 10 and 11 of this paragraph because action has been lodged to challenge the general meeting’s resolution or to have it declared null and void, the provisions of paragraphs (3) to (5) of Article 590 of this Act shall apply, *mutatis mutandis*.

(4) The registration authority shall review whether all legal acts concerning the cross-border merger have been duly concluded, whether conditions for holders of shares to
exercise their right to request acquisition of shares against payment of cash compensation have been met, whether there is evidence that all holders of shares have validly waived this right, and whether conditions for creditors to request security have been met. If the registration authority is satisfied that the conditions have been met for holders of shares to exercise their right to request acquisition of shares against payment of cash compensation and for creditors to request security, and that holders of special rights have been provided with equivalent rights, it shall register the intention of cross-border merger and shall issue, without delay, a certificate attesting to the proper completion of all acts necessary for cross-border merger.

(5) The registration of the intention of cross-border merger shall contain the intended registered office of the company resulting from the cross-border merger and the registry in which this company will be registered. The entry shall contain the remark attesting that the certificate referred to in the preceding paragraph had been issued.

(6) After all conditions determined by the law of the Member State in which the company resulting from the cross-border merger will be registered are met, the management of the company resulting from the cross-border merger shall notify to that effect the registry in which the transferor (acquired) company is registered. The notification shall be in its original language and in a certified translation.

(7) The registration authority where the transferor company is registered shall, after having received notification of the registration of transfer of assets, rights and liabilities resulting from the cross-border merger in a registry in another Member State, remove the company from the register _ex officio_.

**Article 622.l**

**(Application for registration of cross-border merger, examination of and registration of cross-border merger in the registry in the Republic of Slovenia)**

(1) The management of each merging company shall apply for registration of the cross-border merger with the registration authority in the Republic of Slovenia with which the company resulting from the cross-border merger will be registered.

(2) In addition to the documents and acts referred to in paragraph (2) of Article 590 of this Act, the application for registration of cross-border merger shall contain the certificates issued by the competent authorities of the Member States in which the acquired companies were established after the registration of the intended cross-border merger. These certificates shall not be more than six months old.

(3) Prior to registration of a cross-border merger the registration body shall examine:

1. whether the general meetings of companies concerned by cross-border merger have approved, with their resolutions on the approval of cross-border merger, the same terms of cross-border merger; and

2. whether the transferor (acquired) companies had carried out negotiations on the involvement of employees in the management of the company resulting from the cross-border merger.

(4) After registering the cross-border merger, the registration authority shall notify, _ex officio_ and without delay, the competent registries in Member States in which the transferor (acquired) companies are registered.
Section 1
GENERAL RULE
Article 623
(Definition and concept)

(1) A company limited by shares may be divided by split-up, split-off or spin-off.

(2) A split-up shall be carried out by transferring the total assets of the transferring company, which does not result in the liquidation of the transferring company, to:

- new companies limited by shares (hereinafter: new companies) established for split-up purposes (split-up through the establishment of new companies); or

- transferee companies limited by shares (hereinafter: transferee companies (split-up through takeover).

(3) A spin-off shall be carried out by transferring the total or individual parts of assets of the transferring company, which does not cease to exist, to:

– new companies established for spin-off purposes (spin-off through the establishment of new companies); or

– transferee companies (spin-off through takeover).

(4) A split-off shall be carried out by transferring individual parts of assets of the transferring company, which does not cease to exist, to:

– new companies established for split-off purposes (split-off through the establishment of new companies); or

– transferee companies (split-off through takeover).

(5) Division may also be carried out by transferring individual parts of assets of the transferring company to new and to transferee companies simultaneously.

(6) In the process of division, the part of the assets of the transferring company as defined in the Division Plan, together with rights and liabilities of the transferor company in relation to these assets shall be transferred to the new or the transferee company. The new or the transferee company is the universal legal successor (of the transferor company) and shall enter into all legal relations whose subject was the transferor company.

(7) In the case of a split-up and a split-off, the Company Members or the shareholders of the transferring company shall be provided with shares or shareholdings (hereinafter: shareholdings) of the new or of the transferee company. In the case of a spin-off, shareholdings of the new or of the transferee company shall be provided to the transferor company.

(8) When the ratio at which the shares of the transferor company are being exchanged for the shares of any new or transferee company is not equal to one or more shares of the new or transferee company for one share of the transferor company, the shareholders or Company Members of the transferor company who do not possess an appropriate number of transferor company shares in order to receive a whole number (of shares of the new or transferee company), shall be provided cash payment by the new or the transferee company or by another person. The sum of cash payments provided by the new or the transferee company shall not exceed one tenth of the total minimum issue amount of shares or the
amount of capital contributions provided by the new or transferee company to the transferor company shareholders or Company Members under the division.

(9) If the exchange ratio of the transferring company’s assets for shareholdings of individual new or transferee companies in the case of spin-off does not equal one or more shareholdings of individual new or transferee companies exchanged for assets transferred by the transferring company, the new or the transferee company or other person may provide additional cash payment to the transferring company. The additional cash payment provided by individual new or transferee companies shall not exceed one tenth of the total minimum issue amount of shareholdings provided by the new or the transferee company to the transferring company for spin-off purposes.

(10) Provisions of Sections 2 and 3 of this Chapter shall apply, mutatis mutandis, to spin-offs. A spin-off shall be considered to be a division that maintains capital ratios.

Section 2

DIVISION THROUGH THE ESTABLISHMENT OF NEW COMPANIES

624. Article 624

(Division plan)

(1) The management of the transferor company shall draw up a division plan.

(2) The division plan shall include the following:

1. the name and registered office address of the transferor company;

2. draft memoranda of association of the new companies;

3. statement on the transfer of part of assets of the transferor company to new companies, taking into account the legal consequences referred to in paragraphs (6) to (8) of the preceding Article;

4. the ratio at which shareholdings of the transferor company are to be exchanged for shareholdings of each transferee company (share exchange ratio);

5. in cases referred to in paragraph (8) of the preceding Article:

   - the amount of additional cash payment expressed as a sum of money per whole share of the transferor company; and
   - the name of the new company that will provide additional cash payment, or the company name and registered office address or the name and surname of other person providing the additional cash payment;

6. if the transferor company reduces its share capital under Article 625 of this Act through the establishment of new companies, a detailed description of procedures concerning the reduction of the amount of shares or the merging of shareholdings of the transferor company;

7. detailed information on procedures concerning provision of shareholdings of new companies;

8. the date from which shareholdings provided by each of the new company will give entitlement to a part of the profit;

9. the date from which actions of the transferor company shall be treated for accounting purposes as exercised by the new company (division cut-off date);
10. measures taken by the new company to ensure the rights of the holders of special rights stemming from shareholdings of transferor company by applying, mutatis mutandis, the provisions of Article 593 of this Act;

11. any special benefits granted to members of the management or supervisory bodies of the transferor or new companies, or to division auditors;

12. a closed list containing the description and assignment of parts of assets and liabilities to be transferred to each new company; reference may be made to acts referred to in point 14 of this paragraph if from those acts it is possible to identify the assets to be transferred to each new company;

13. a provision on the transfer of those parts of assets that, on the basis of the Division Plan, could not be assigned to any of the companies participating in the division;

14. The final report of the transferor company and the opening balance sheets of new companies; in the case of a split-off, also the opening balance sheet of the transferor company showing the status of assets and liabilities after the split-off; and

15. in cases referred to in Article 633 of this Act, the amount of cash compensation offered by each new company or other person, unless all Company Members or shareholders of the transferor company have validly waived their right to such compensation.

(3) The statements on provision of additional cash payment or cash compensation referred to in points 5 and 15 of the preceding paragraph shall be in the form of a notarial record.

Article 625

(Maintenance of share capital; application of rules on establishment; responsibility of bodies)

(1) After the division, the total amount of share capital of companies participating in division shall be at least equal to the share capital of the transferor company before the division. The total amount of own capital of companies participating in the division, as shown in the opening balance sheets of such companies, shall be at least equal to the sum of such items as shown in the final report of the transferor company.

(2) In the process of splitting-off, the transferor company may reduce its share capital by derogation from the provisions of this Act on the reduction of share capital. If a transferor company, because of split-off, reduces its share capital in compliance with the provisions of this Act concerning ordinary share capital reduction, for such reduction the company may derogate from the provisions of the first sentence of the preceding paragraph.

(3) Provisions of this Act on establishment shall apply to establishment of new companies, with the exception of paragraph (2) of Article 191 of this Act, unless otherwise provided for by this Section. The transferor company shall be considered the founder.

(4) The establishment of new companies shall be examined by one or more experts. In the case of a split-off, the expert shall also verify whether the total assets of the transferor company minus its liabilities are at least equal to the amount of share capital plus the mandatory reserves. Provisions of this Act on the establishment audit of a public limited company shall apply, mutatis mutandis, to such examination; in such cases, the establishment report referred to in Article 193 of this Act shall not be required.

(5) Members of the management or supervisory bodies of the transferor company shall be jointly and severally liable for any loss or damage caused by the division to companies participating in the division, or to shareholders of such companies. Provisions of paragraph (2) of Article 255 of this act shall apply, mutatis mutandis, to liability of members of the
management or supervisory bodies. Provisions of paragraph (2) of Article 594 of this act shall apply, *mutatis mutandis*, to liability of members of the management or supervisory bodies.

**Article 626**

(Management's report on division)

(1) A separate detailed written report on the division shall be drawn up by applying, *mutatis mutandis*, the provisions of Article 582 of this Act; such a report shall refer also to findings of the report on the establishment examination from paragraph (4) of the preceding Article.

(2) The Division Plan shall also provide for measures to protect the rights of creditors referred to in paragraph (5) of Article 636 of this Act.

(3) In the report on division the management shall indicate the registration authorities to whom the reports of experts referred to in paragraph (1) of Article 635 of this Act shall be submitted.

(4) For reasons provided for in the first and third indent of paragraph (2) of Article 305 of this Act, the management shall not be required to disclose information in the report on division.

(5) No explanation shall be required for the exchange ratio if shareholders of the transferor company participate in new companies with capital ratios that are equal to those in the transferor company (division maintaining capital ratios).

(6) No report on division shall be required if all shareholders of the transferor company give a statement in the form of a notarial act waiving the application of provisions of this Act on the management's report on division. Shareholders may give such a statement orally at the general meeting of the transferor company deciding on division. In such a case, the statement shall be included in the minutes of the general meeting.

**Article 627**

(Examination of division)

(1) The division plan shall be examined by an expert (division auditor):

(2) Provisions of paragraphs (2), (4) and (6) to (8) of Article 583 of this Act shall apply, *mutatis mutandis*, to examination of division.

(3) In the case capital ratios are not maintained by the division, the report shall contain the opinion of the expert as to whether the amount of shareholdings in the new at-the-share exchange ratio proposed in division plan, and the amount of any additional cash payments or cash compensation offered is adequate compensation for the shares of new companies; in such a case, the provisions of points 1 to 5 of paragraph (5) of Article 583 of this Act shall apply, *mutatis mutandis*.

(4) No examination of division shall be required if all shareholders of the transferor company give a statement in the form of a notarial act waiving the application of provisions of this Act on examination of division. Shareholders may give such statement orally at the general meeting of the transferor company deciding on division. In such a case, the statement shall be included in the minutes of the general meeting.

**Article 628**

(Scrutiny of division by the supervisory board)
Provisions of Article 584 of this act shall apply, *mutatis mutandis*, to the scrutiny of intended division by the supervisory board of the transferor company.

**Article 629**

*(Preparation and holding of the general meeting)*

(1) Provisions of paragraphs (1) to (5) of Article 586 of this Act shall apply, *mutatis mutandis*, to the preparing and holding of the general meeting deciding on the division.

(2) If the transferor company is constituted as a limited liability company, not less than 14 days prior to the general meeting that is to decide on the division, each shareholder of such a company shall be sent, together with the invitation to the general meeting, the documents referred to in the preceding paragraph.

(3) Each creditor and the workers' council, if constituted, shall be given, on request, a free copy of the division Plan not later than the following business day.

**Article 630**

*(Approval of division by the general meeting)*

(1) Provisions of Article 585 of this Act shall apply, *mutatis mutandis*, to the approval of division by the general meeting, unless otherwise provided by this Article. The general meeting of the transferor company constituted as a limited liability company shall adopt the resolution on approval of the split-up by at least three quarters of votes of all Company Members; such a resolution shall be notarised.

(2) If the division does not maintain the capital ratio, a resolution on the approval of the division shall be valid if nine tenths of the share capital votes in favour. If a majority is not attained at the general meeting, such a resolution shall be valid if shareholders who voted against its adoption or did not attend the general meeting send to the transferor company, within three months from the general meeting at the latest, a statement on approval of division, so that together with such subsequent statements a majority is attained. Statements of approval shall be in the form of a notarial record that includes the division plan.

**Article 631**

*(Exclusion of grounds for challenging a resolution)*

Provisions of Article 604 of this Act shall apply, *mutatis mutandis*, to the exclusion of grounds for challenging a resolution of the general meeting of the transferor company.

**Article 632**

*(Special requirements for the general meeting's consent for division)*

(1) If any shareholders of the transferor company had, under the articles of association or the memorandum of association, special rights concerning management, the appointment of management and supervisory bodies, or concerning the consent for the transfer of shareholdings, and in the division plan they will not be granted equal rights in new companies, the resolution of the general meeting on consent for division shall be a valid subject to the consent of such shareholders.

(2) If the articles or the memorandum of association of the transferor company provide that resolutions shall be deemed to be valid if adopted by a majority vote of more than three quarters of the share capital represented at the general meeting or more than three quarters of all votes, the same majority shall be necessary for the validity of the resolution approving
the division, unless the articles of association of the new companies provide for the same level of protection of minority rights.

(3) A shareholder may give the consent referred to paragraphs (1) or (2) of this Article also outside the general meeting provided that such statement is given within three months at the latest from the date of the adoption of the resolution approving division. The statement on consent referred to in the preceding sentence shall have the form of a notarial record that includes the text of the division plan.

Article 633
(Off er of cash compensation)

(1) If the division does not maintain the capital ratio, each shareholder of the transferor company making an objection for the record against the resolution of the general meeting that decides on granting consent to the division may require new companies (as joint and several debtors) to acquire the shares they have the obligation to provide to him/her because of the split-up, against payment of appropriate cash compensation. No shareholder who retains in the capital of new companies a share that is equal to the one he/she had in the transferor company shall have the right to receive the cash compensation referred to in the preceding sentence.

(2) If shares of the transferor company are freely transferable, but the memoranda or articles of association of certain or of all new companies provide that the transfer of shares is subject to permission of the new company or the individual shareholders of the new company, each shareholder of the transferor company making an objection for the record against the resolution of the general meeting that decides on granting consent to the division may require each new company to acquire the shares they have the obligation to provide to him/her because of the split-up, against the payment of appropriate cash compensation.

(3) If any new company has a legal form different from the legal form of the transferor company, each shareholder of the transferor company making an objection for the record against the resolution of the general meeting that decides on granting consent to the division may require such new company to acquire the shares they have the obligation to provide to him/her because of the split-up, against payment of appropriate cash compensation.

(4) The right referred to in paragraphs (1), (2) and (3) of this Article shall also be enjoyed by a shareholder in the transferor company who did not attend the general meeting if he/she was unlawfully prevented from attending it, or if the general meeting was not correctly convened, or if the subject put to a resolution at the general meeting was not correctly published.

(5) In order to meet this obligation of payment of cash compensation, the persons entitled to cash compensation under paragraphs (1), (2) or (3) of this Article shall be provided with appropriate security.

(6) The provisions of paragraphs (2) and (3) of Article 600 and of Articles 601 to 603 of this Act shall apply, mutatis mutandis, to the right to cash compensation referred to in paragraphs (1), (2) or (3) of this Article.

Article 634
(Proposal for registration of the division)

(1) The managements of the transferor company and of new companies shall simultaneously apply for the registration of the division and of new companies.
Provisions of paragraph (2), with the exception of points 2 and 8, of Article 590, and of paragraphs (3) to (5) of Article 590 of this Act shall apply, mutatis mutandis, to the registration of the division. The application for the registration of the division shall be accompanied by the following:

1. statements of consent by individual shareholders, where required;
2. for new companies, documents that must be submitted for registration of a newly established a company; and
3. evidence of the existence of collateral referred to in paragraph (5) of the preceding Article.

Article 635
(Entry of division: legal consequences of division)

(1) The registration authority in the place where the transferor company has its registered office shall simultaneously register the division and the establishment of new companies. If the transferor company share capital was decreased because of the division, such a decrease shall be recorded in the register at the same time as the division and establishment of new companies. The register entry of the merger by absorption shall contain the information that the company is the result of division, the full company name of all transferor companies and the number of their previous entries in the register. The register entry of the division shall contain the information that the company ceased to exist as the result of division, and in all cases of division, the full company names of all new companies and the numbers of entry of such new companies in the register.

(2) The entry in the register of the division shall have the following legal consequences:

1. All the assets and liabilities of transferor company shall be transferred to the new companies in compliance with the division plan.
2. The transferor company shall be wound up. After the split-off, the amendments of the articles of association of the transferor company, as provided for in the division plan, shall enter into force. This detail shall be given special emphasis in the announcement.
3. Shareholders of the transferor company shall become shareholders of new companies in compliance with the division plan; at the same time, the third party rights to shares of the transferor company shall be transferred to the shares of the new companies to be provided because of the division, or to any rights to additional cash payment.

(3) After a division is registered, any possible shortcomings of the division shall have no effect on the legal consequences of the division referred to in preceding paragraph. Any plaintiff who, prior to the registration of the division, has initiated an action to declare null and void or challenge the resolution approving the division, may, without the agreement of the defendant, modify his/her action in such a way to claim compensation for damage incurred to him/her by the registration of the division.

(4) Until the debtor of the transferor company receives the information to which of the companies participating in the division his/her claim is assigned, any such company shall be entitled to validly pay the claim.

(5) Until the creditor of the transferor company receives the information to which of the companies participating in the division his/her credit is assigned, he/she may ask from any of them to pay the claim.
(6) Provisions of Article 244 of this Act shall apply, *mutatis mutandis*, to the exchange of shares of the transferor company, and provisions of Article 376 of this Act shall apply, *mutatis mutandis*, to share pooling; in either case, no permission of a court shall be required.

**Article 636**

*(Protection of creditors and holders of special rights)*

(1) For any liability of the company that arose before the date of the entry into the register, all other companies participating in the division, each up to the amount of assets assigned to it in the division plan, reduced by the amount of liabilities assigned to it in the same division plan, shall be jointly and severally liable, together with the company that has been assigned the liability in the division plan. The preceding sentence shall not apply to liabilities covered by the security referred to in paragraph (2) of this Article.

(2) Provisions of Articles 592 and 593 of this Act shall apply, *mutatis mutandis*, to the provision of appropriate security to creditors and holders of special rights; as it is assumed that the division jeopardises the payment of their claims.

**Article 637**

*(Right to be informed)*

(1) Each person whose legal interest is affected because of the division, shall have the right to request from any of the companies participating in the division clarifications on the assignment (of individual parts) of assets or liabilities.

(2) The right referred to in the preceding paragraph shall be decided upon by a court. The proposer shall have to prove, to a reasonable degree of probability, his/her legal interest. The court may request that books of account and other documents be submitted for examination and may request the company to allow the proposer or the expert to examine such books of account and documents. The proposer and the expert referred to in the preceding sentence shall treat all data concerning the company as confidential.

**Section 3**

**DIVISION THROUGH TAKEOVER**

**Article 638**

*(Application of provisions)*

(1) Provisions of Articles 624 to 637 of this Act shall apply to division through takeover unless otherwise provided for in this Article. When applying the provisions of the preceding sentence, the following shall be considered:

1. The division plan shall be substituted by a division and takeover contract, which shall be signed in the form of a notarial record. The division and takeover contract shall be concluded by the managements of the transferor and the transferee companies;

2. The term ‘new company’ shall be substituted with the term ‘transferee company’;

3. If, in the process of splitting-off through takeover, the transferor company reduces its share capital, the provision of the first sentence of paragraph (2) of Article 625 shall not apply;

4. The provisions of Article 375 of this Act shall apply, *mutatis mutandis*, to division through takeover.
(2) If, in the process of division, the transferee company increases its share capital, the provisions of Article 588 and of paragraph (2) of Article 591 of this Act shall apply, mutatis mutandis. In such a case, the increase of the share capital shall be registered simultaneously with the division.

(3) The provisions of this Act on mergers shall apply, mutatis mutandis, to transferee and transferor companies participating in the division.

Chapter Four

MERGER AND DIVISION OF UNINCORPORATED COMPANIES

Article 639

(Application of provisions for merger and division of unincorporated companies)

Provisions of this Act on mergers and divisions in which limited liability companies participate, and provisions on merger and division of limited liability companies shall apply, mutatis mutandis, to mergers and divisions in which participate unincorporated companies. The resolution on merger or division shall be valid when consent to such merger or division is given by personally liable shareholders of the unincorporated company and by the shareholders of the company limited by shares who, after the merger or the division, will be liable for the obligations of the company with all their assets.

Chapter Five

TRANSFER OF ASSETS

Article 640

(General)

(1) Public limited companies, partnerships limited by shares, and limited liability companies may transfer their assets as a whole to the Republic of Slovenia or to a self-managed local community in the Republic of Slovenia.

(2) Provisions of this Act on merging companies shall apply, mutatis mutandis, to a company transferring its assets in compliance with the preceding paragraph. Such company shall cease to exist when the transfer of assets is registered. All its assets shall be transferred to the transferee. The compensation for the transferred assets shall be divided in proportion to its shares or shareholdings.

Article 641

(Validity of the agreement)

(1) The agreement on the transfer of assets under the preceding Article shall be valid subject to the consent given by the company's general meeting. The validity of the resolution shall require the majority of at least three quarters of the share capital represented at the general meeting. The articles or the memorandum of association may provide for a larger majority.

(2) The provisions of this Act on mergers shall apply, mutatis mutandis, to the provision of information to shareholders, to the holding of the general meeting, and to shareholders' rights.

Chapter Six

CHANGE OF LEGAL FORM

1. Section 1
CONVERSION OF PUBLIC LIMITED COMPANY INTO PARTNERSHIP LIMITED BY SHARES

Article 642

(Terms and conditions)

(1) A public limited company may convert itself into a partnership limited by shares.

(2) Conversion may be carried out on the basis of a resolution of the general meeting and the accession of at least one general partner. The validity of the resolution shall require the majority of at least three quarters of the share capital represented at the general meeting. A larger majority shareholding and other requirements may be stipulated by the articles of association. The resolution shall define the company name and changes necessary for conversion. The accession of general partners (active partners) shall be made in the form of a notarial record.

(3) A balance sheet containing assets and liabilities of the company at the cut-off date of conversion shall be submitted to the general meeting deciding on conversion. The settlement shall be drawn up on the day on which general partners participate in the profit or loss of the company. If such a date is after the date of the resolution on conversion, the statement shall be drawn up on a date not more than six months before the date of the resolution.

(4) Founders shall be substituted by general partners.

Article 643

(Notice of conversion)

(1) General partners shall be registered together with the resolution on conversion. Documents on their accession shall be annexed to the application for registration in the original or in a certified copy.

(2) Provisions of point 1 of paragraph (2) and paragraphs (3) to (5) of Article 590 of this Act shall apply, mutatis mutandis, to registration of a company conversion.

Article 644

(Effect of registration)

A partnership limited by shares shall be constituted as of the date of registration of conversion. General partners shall have unlimited liability in respect of creditors also for liabilities of companies constituted before their accession.

Section 2

CONVERSION OF A PARTNERSHIP LIMITED BY SHARES INTO A PUBLIC LIMITED COMPANY

Article 645

(Terms and conditions)

(1) A partnership limited by shares may convert itself into a public limited company with the consent of all general partners.

(2) The resolution shall define the company name, the constitution of the management and changes necessary for conversion.
The latest annual report shall be submitted to the general meeting deciding on conversion. The provisions of this Act relating to bodies of public limited companies shall apply, mutatis mutandis, to the constitution of bodies of the public limited company.

Article 646

(Notice of conversion)

Members of management bodies shall be registered together with the resolution on conversion. Provisions of Article 643 of this Act shall apply, mutatis mutandis, to the notice of conversion.

Article 647

(Effect of registration)

A partnership limited by shares shall be constituted as of the date of registration of conversion. General partners shall be excluded from the company, but shall retain responsibility for liabilities that arose before the registration of conversion.

Section 3

CONVERSION OF A PUBLIC LIMITED COMPANY INTO A LIMITED LIABILITY COMPANY

Article 648

(Terms and conditions)

(1) A public limited company with less than 50 shareholders may convert itself into a limited liability company on the basis of a resolution of a general meeting, if it meets all conditions for the establishment of a limited liability company.

(2) A resolution of the general meeting shall be adopted with a majority of at least nine tenths of the share capital. In calculating the capital majority, own shares shall be deducted from the share capital. The articles of association of a public limited company may provide for a larger share capital majority or for additional requirements.

(3) The announcement of conversion shall be a valid item of the agenda if complemented by a statement of the company, to be entered in the minutes, offering to those shareholders that oppose conversion the possibility of selling their shares, resulting from the conversion, for appropriate cash compensation.

(4) The resolution shall define the company name and other features necessary for conversion.

(5) The amount of capital contributions may be other than the minimum issue amount of shares. If the minimum amount of shareholdings is other than the minimum issue amount of shares, such a resolution shall be approved by each shareholder who is prevented from participating due to the common minimum issue amount of his/her shares. Such consent shall be given in the form of a notarial record.

Article 649

(Registration of conversion)

Members of management shall be registered together with the resolution on conversion. The application shall contain a list of shareholders indicating their names, surnames and addresses, and their capital contributions, and shall be signed by the applicant. Provisions of Article 643 of this Act shall apply, mutatis mutandis, to the registration of conversion.
Article 650

(Effect of registration)

A limited liability company shall be constituted on the day of its registration. Shares shall become shareholdings. The rights of third persons from shares shall be exercised as rights from shareholdings.

Article 651

(Exclusion of reasons to challenge, cash compensation)

(1) Each shareholder opposing the resolution on conversion at the general meeting may request that the company acquire his/her shareholding against the payment of appropriate cash compensation. Any shareholder who did not attend the general meeting shall have the same right in the case he/she was illegally prevented from attending the general meeting, or if the general meeting had not been regularly convened, or if the subject of resolution at the general meeting was not properly published.

(2) A resolution of the general meeting on conversion may not be challenged if cash compensation under the preceding paragraph is considered inappropriate, or in cases such cash compensation had not been offered.

(3) Provisions of Article 603 of this act shall apply, mutatis mutandis, to the right to receive the cash compensation referred to in paragraph (1) of this Article. In the case an action to declare null and void or challenge the resolution on conversion has been filed, the time limit for applying for the fixing appropriate cash compensation shall begin on the day the court adopted the decision dismissing the claim, or on the date the claim was withdrawn.

Section 4

CONVERSION OF A LIMITED LIABILITY COMPANY INTO A PUBLIC LIMITED COMPANY

Article 652

(Terms and conditions)

The provisions of this Act relating to modifications of the memorandum of association of a limited liability company shall apply to conversion of a limited liability company into a joint-stock company. If the assignment of shareholdings is subject to authorisation of individual Company Members, the consent of such Company Members shall be necessary for the validity of the resolution on conversion. If, besides the subscription of contributions, Company Members have other obligations to the company, the consent of such shareholders shall be necessary for the validity of the resolution on conversion.

(2) The resolution on conversion shall define the company name and changes of the memorandum of association necessary for conversion. Company members who voted for conversion shall be indicated by name in the minutes.

Article 653

(Formation audit and responsibility of Company Members)

(1) The provisions of this Act relating to formation audit of a public limited company shall apply, mutatis mutandis, to conversion. Company members who voted for conversion shall be considered the founders.
(2) The report shall contain a description of the process of conversion and present the economic situation of the limited liability company.

Article 654

(Notice of conversion)

Members of management bodies shall be registered together with the resolution on conversion. The application shall be accompanied by a list with names, surnames and addresses of members of the supervisory board, audit reports by members of the management and supervisory board, and by reports of experts. Provisions of Article 643 of this Act shall apply, mutatis mutandis, to the notice of conversion.

Article 655

(Effect of registration)

A public limited company shall be constituted as of the date of registration. Shareholdings shall become shares. Rights of third persons from shareholdings shall be exercised as rights from shares.

Article 656

(Exclusion of grounds for challenging; cash compensation)

(1) Each Company Member opposing the resolution on conversion at the general meeting may request that the company acquire his/her shares against the payment of appropriate cash compensation. This right shall also be enjoyed by a shareholder who did not attend the general meeting because of having been unlawfully prevented from attending the general meeting, or if the general meeting was not correctly convened, or if the subject put for resolution at the general meeting was not correctly published.

(2) A resolution of the general meeting on conversion may not be challenged if the cash compensation referred to in the preceding paragraph and offered by the company is not appropriate or has not been offered.

(3) Provisions of Article 603 of this Act shall apply, mutatis mutandis, to the right to cash compensation referred to in paragraph (1) of this Article. In the case an action to declare null and void or challenge the resolution on conversion has been filed, the time limit for applying for the fixing of appropriate cash compensation shall begin to expire on the day the court adopted the decision dismissing the claim or on the date the claim was withdrawn.

Section 5

CONVERSION OF A PARTNERSHIP LIMITED BY SHARES INTO A LIMITED LIABILITY COMPANY

Article 657

(Terms and conditions)

(1) A partnership limited by shares may convert itself into a limited liability company with the consent of all general partners.

(2) A balance sheet shall be submitted to the general meeting deciding on conversion. In cases such a balance is needed for the settlement of accounts with a general partner, the balance sheet to be submitted shall be the one drawn up one day prior to the day the resolution on conversion is adopted; in other cases, a balance sheet drawn not more than six
months prior to date of the resolution on conversion shall be submitted; in both cases, the balance sheet shall be drawn up in compliance with the rules on the settlement of accounts with general partners.

(3) Provisions of Articles 649 and 650 of this Act shall apply, *mutatis mutandis*, to the notice of conversion.

Section 6

CONVERSION OF A LIMITED LIABILITY COMPANY INTO A PARTNERSHIP LIMITED BY SHARES

Article 658

(Terms and conditions)

(1) Conversion of a limited liability company into a partnership limited by shares may be carried out on the basis of a resolution of the general meeting and the accession of at least one general partner. The accession of general partners shall be made in the form of a notarial record.

(2) A statement of account containing assets and liabilities of the company at the cut-off date of conversion shall be submitted to the general meeting deciding on conversion. The settlement shall be drawn up on the day from which general partners participate in the profit or loss of the company. If such a date is before the date of the resolution on conversion, the statement shall be drawn up on a date not more than six months before the date of the resolution. The settlement shall be attached to the minutes.

(3) The founders shall be substituted by Company Members who voted for conversion and by general partners.

Article 659

(Notice of conversion)

General partners shall be registered together with the resolution on conversion. Provisions of Article 643 of this Act shall apply, *mutatis mutandis*, to the notice of conversion.

Article 660

(Effect of registration)

A partnership limited by shares shall be constituted as of the date of registration of conversion. Shareholdings shall become shares. The rights of third persons from shareholdings shall be exercised as rights from shares. General partners shall also have unlimited liability in respect of creditors of the company for liabilities that arose before their accession.

Article 661

(Application of provisions on conversion into a public limited company)

The provisions of this Act relating to the conversion of a limited liability company into a public limited company shall apply, *mutatis mutandis*, to the conversion into a partnership limited by shares.

Section 7

OTHER CONVERSIONS
Article 662

(Convocation of a co-operative into a company)

(1) A co-operative may convert itself into a public limited company if each member of the co-operative (hereinafter: member) has a share in the amount of at least one euro.

(2) Conversion may be carried out on the basis of a resolution of the general meeting of the co-operative. The administrative board or the director of the co-operative shall send the proposal for conversion of the co-operative into a public limited company to all members together with the convocation to the general meeting.

(3) Provisions of paragraphs (2) and (3) of Article 648 of this Act shall apply, mutatis mutandis, for the validity of the resolution of the general meeting on the conversion of the co-operative into a public limited company.

(4) Before the conversion of a co-operative into a public limited company, the co-operative shall transfer all assets that, in compliance with the act governing co-operatives, may not be distributed among members, to the co-operative association to which it belongs.

(5) The provisions of this Act relating to the conversion of a limited liability company into a public limited company shall apply, mutatis mutandis, to the notice of conversion and to effects of conversion.

(6) A co-operative may convert itself into a company other than public limited company if so provided by a separate act.

Article 663

(Contents of the resolution on conversion of a co-operative into a public limited company)

(1) At the general meeting, reports of experts containing the assessment of the consequences of conversion for the interests of shareholders and creditors shall be read before the general meeting decides on conversion of a co-operative into a public limited company.

(2) The resolution on conversion shall determine:

- the company name and its head office;

- the amount of shares and entitled persons; and

- other data necessary for conversion.

(3) The co-operative’s rules shall be modified in order to contain all elements requested for articles of association of a public limited company.

Article 664

(Convocation of a company into a co-operative)

(1) A public limited company may convert itself into a co-operative; in such case the provisions of this Act relating to conversion of a public limited company in other company forms shall the apply, mutatis mutandis, unless otherwise provided by another act.

(2) Other companies may convert themselves into a co-operative if so provided by a separate act.
Article 665

(Conversion of companies limited by shares into unincorporated companies and conversion of unincorporated companies into companies limited by shares)

(1) Provisions of this Act on the conversion of a public limited company into other company forms shall apply, mutatis mutandis, to the conversion of companies limited by shares into unincorporated companies; however, a resolution on the conversion shall be valid subject to the consent of the partner who, in the unincorporated company, is liable with all its assets.

(2) The provisions of the preceding paragraph shall apply to conversion of unincorporated companies into companies limited by shares. Personally liable partners shall retain responsibility for liabilities that arose before the registration of conversion. The provisions of Articles 133 and 134 of this Act shall apply, mutatis mutandis, to the limitation period in the case of winding-up of a company.

Article 666

(Conversion of institutes into companies)

(1) Provisions of this Act on the conversion of a public limited company into other company forms shall apply, mutatis mutandis, to the conversion of institutes into companies; however, a resolution on the conversion shall be valid subject to the consent of the competent body of the institution, adopted in compliance with its articles of incorporation or association, the consent of founders with shares amounting to nine-tenths of the share capital, and of the partner who, after the conversion, will be liable with all its assets. Provisions of Article 651 of this Act shall apply, mutatis mutandis, to founders who did not vote for the resolution on conversion.

Chapter Seven
CHANGE IN THE LEGAL FORM OF A COMPANY OWNER

Section 1
GENERAL

Article 667

(Forms of change in the legal form of a company owner)

(1) A company owner may change its legal form by:

- transferring the company to a new company limited by shares, which is established due to the transfer of the company owner's business; or

- transferring the company to a transferee company limited by shares.

(2) The transfer results in the transfer to the company of the company owner's business and of the company owner's rights and obligations concerning the company. The company is the universal legal successor and shall enter into all legal relations whose subject was the transferred company owner's business.

Section 2

TRANSFERRING A COMPANY TO A NEW COMPANY LIMITED BY SHARES

Article 668
(Terms and conditions)

(1) The resolution on transfer of company shall be in written form.

(2) The resolution on transfer shall indicate:

- the company name and head office of the company owner;
- the statement on the transfer of company; and
- the value of the company (assets and rights and liabilities concerning the company) on the transfer cut-off date and a detailed description of the company. Documents taken into consideration are the annual balance sheet, the interim balance sheet, or an adequate financial statement, if from those documents it is possible to determine the value of the company which is the subject of transfer. On the day of application for registration of the transfer of the company, such documents shall not be older than three months.

(3) The resolution of transfer shall be accompanied by the company's articles of incorporation, indicating that such company was established due to the transfer of a company owner's business.

(4) The date of the statement of transfer of the company referred to in paragraph (2) of this Article shall be the balance sheet cut-off date as at which the company owner shall prepare the financial statements for his company. The provisions of paragraph (1) of Article 68 of this Act shall apply, mutatis mutandis, to the preparation of the financial statements under this paragraph. From the date of the company's transfer it shall be considered that the company owner's operations relating to the transferred company have been carried out for the account of the new or the transferee company limited by shares.

Article 669

(Application of rules on establishment)

(1) Provisions of this Act on establishment shall apply to establishment of new companies, with the exception of Article 191 of this Act.

(2) The establishment of a new company shall be examined by a formation auditor. Provisions of this Act on the establishment examination (formation audit) of a public limited company shall apply, mutatis mutandis, to such examination; the establishment report referred to in Article 193 of this Act shall not be necessary. If the value of the company does not exceed the value referred to in paragraph (4) of Article 476 of this Act, no formation audit shall be necessary for a limited liability company.

Article 670

(Proposal for registration of a company transfer)

(1) A company owner shall file an application for registration of the company transfer.

(2) Prior to filing the application for registration of company transfer, the company owner shall publish a notice of the intended transfer. The provisions of paragraph (2) of Article 75 of this Act shall apply, mutatis mutandis, to such publication.

(3) The application for registration of the transfer shall be accompanied by the following:

- resolution on transfer of company; and
- documents that must be submitted for registration of a newly established company.
Article 671  
(Effect of transferring a company to a new company)  

(1) The registration authority office shall simultaneously register the transfer of a company and the establishment of a new company. The register entry of the new company shall contain the information that the company is the result of a transfer of a company owner's company.  

(2) When the transfer is registered, the company owner's business ceases to do business, the company owner's business is transferred to the new company in compliance with the resolution on the transfer, and the company owner becomes a shareholder of the new company.  

(3) The registration authority shall notify the transfer to AJPES (Agency of the Republic of Slovenia for Public Legal Record and Related Services), which shall remove the company owner's business from the Business Register of Slovenia:  

Article 672  
(Company owner’s liability for obligations)  

If the company fails to fulfil a liability that arose for a company owner before the registration of the transfer of a company, the company owner shall assume such liabilities with all his/her assets. The provisions of Articles 133 and 134 of this Act shall apply, mutatis mutandis, to the limitation period.  

Section 3  
TRANSFERRING A COMPANY TO A TRANSFEREE COMPANY LIMITED BY SHARES  
Article 673  
(Application of provisions)  

(1) The provisions of Articles 668 to 672 shall apply, mutatis mutandis, to the transfer of a company to a transferee company limited by shares, subject to the following:  

- the resolution on the transfer shall be replaced by the company transfer agreement, concluded by the company owner and the management of the transferee company in the form of a notarial record; and  

- the term 'new company' shall be substituted by the term 'transferee company'.  

(2) If the transferee company increases its share capital, the provisions of Article 588 of this Act shall apply, mutatis mutandis. In such a case, the increase of the share capital shall be registered simultaneously with the transfer.  

(3) The provisions of this Act relating to merger by absorption shall apply, mutatis mutandis, to the transferee company.  

Section 4  
PARTIAL TRANSFER OF THE COMPANY’S BUSINESS  
Article 673a  
(Application of provisions)
The provisions of Articles 667 to 673 of this Act, except the provisions of paragraph (2) concerning the cessation of a company and paragraph (3) of Article 671 of this Act shall apply, mutatis mutandis, to a partial transfer of the company's business.

PART VII

(FOREIGN-OWNED COMPANIES)

Chapter One

GENERAL

Article 674

(Definition and concept)

(1) A foreign company shall mean a natural or legal person engaging in a profit-making activity and having a residence or head office outside the Republic of Slovenia in a Member State (hereinafter: foreign-owned company from the EU) or in a non-EU country (hereinafter: third country foreign-owned company).

(2) The status of a foreign-owned company shall be considered under the law of the country under which the company is incorporated, unless otherwise provided by the law.

Article 675

(Doing business in the Republic of Slovenia)

The rights, liabilities and obligations of foreign-owned companies when doing business in the Republic of Slovenia are equal to the rights, liabilities and obligations of companies having their head office in the Republic of Slovenia, unless otherwise provided by the law.

Chapter Two

BRANCH OFFICES

Article 676

(Right to do business)

(1) A foreign-owned company may carry out a gainful activity in the Republic of Slovenia by setting up branches.

(2) The provisions of this Act relating to:
   - activities (Article 6);
   - corporate name (Articles 12 through 23);
   - registered office (Articles 29 and 30);
   - power of procuration (Articles 33 through 37); and
   - trade secrets (Articles 39 and 40) shall apply, mutatis mutandis, to branches.

Article 677

(Registration)

(1) The application for the entry of a branch in the register shall be filed by a representative of the foreign-owned company, and shall contain the following:
– the branch corporate name and registered office;
- indication of activities and transactions carried out by the branch;
- the name and surname of the person representing the branch and the foreign-owned company; and
- other information stipulated by law.

(2) The application shall be accompanied by the following:

- extract from the register showing the contents and the date of the registration of the parent company;
- decision of the management establishing a branch;
- a copy of rules or of the memorandum of association, duly authenticated by a notary; and
- a duly authenticated summary of the last business report of the foreign-owned company that is establishing a branch.

(3) Original copies and certified translations of the documents referred to in the preceding paragraph shall be submitted.

(4) In the case the branch's data from the register and documents held in the file differ from data and documents on the foreign-owned company revealed in the same manner in the country where such company has its registered office, the data of the branch shall be considered for the purpose of doing legal transactions with the branch.

Article 678

(deleted)

Article 679

(Acting on behalf and for the account)

(1) A branch shall act on behalf and for the account of the foreign-owned company; in so doing, it shall use the parent's company corporate name and registered office, and its own corporate name.

(2) All the branch's communications, official letters, purchase orders and other documents shall indicate, together with the corporate name, the register in which the documents of the branch are kept, together with the number of the entry in such register. If the laws of the country applicable for a third country foreign-owned company provides for registration of a company, such documents shall indicate also the register in which the third country foreign-owned company is registered, together with the number of the entry in such register.

Article 680

(Commencement of activity)

(1) A foreign-owned company may not commence activity in the Republic of Slovenia until its branch has been registered.

(2) The provisions of this Act on books of account and the annual report shall apply, mutatis mutandis, to branches, unless otherwise stipulated by this Act.
(3) A branch of a foreign-owned company from the EU shall submit the annual report of such company, if such report had been prepared, audited and revealed in compliance with the law of the EC Member State that applies to the company in compliance with Directive 78/660/EEC, Directive 83/349/EEC and Directive 84/253/EEC.

(4) A branch of a third country foreign-owned company shall submit the annual report of such company, if such report had been prepared, audited and published in compliance with the law of the country which applies to the third country foreign-owned company. If the annual report of a third country foreign-owned company had not been prepared in compliance with Directive 78/660/EEC and Directive 83/349/EEC or in an equivalent manner, the annual report shall be prepared and published for the branch.

Article 681

(Main and designated branch)

(1) If a foreign-owned company simultaneously establishes several branches in the Republic of Slovenia, it shall indicate in the application for registration which of the branches shall be the main branch in the Republic of Slovenia.

(2) If a foreign-owned company successively establishes several branches in the Republic of Slovenia, it shall indicate for each of them the order in which such branches had been established in the application for registration.

(3) If a foreign-owned company establishes two or more branches simultaneously or within the same time interval, it may submit the documents referred to in the first, third and fourth indents of paragraph (2) of Article 677 of this Act only when registering one of the branches of its own designation, which, in the case of simultaneous establishment, shall not necessarily be the main branch. When registering other branches, the company shall indicate the number of the designated branch and the register in which it is registered.

(4) If a foreign-owned company has a branch designated in compliance with the preceding paragraph, the annual report may be submitted only by such designated branch.

Article 682

(Foreign-owned company's representatives in the branch)

One or more representatives representing the foreign-owned company shall be appointed for each branch. A foreign-owned company may appoint the same representatives for more than one branch; the representatives in the main branch shall be, in compliance to the law, representatives of other branches also in cases where such branches have their own representatives.

Article 683

(Liability for obligations)

The foreign-owned company shall be liable for obligations that arose by the operation of branches with all its assets.

PART VIII

MONITORING OF THE IMPLEMENTATION OF THE ACT

Article 684
(1) The implementation of the provisions of this Act shall be monitored by AJPES, the Tax Administration of the Republic of Slovenia, the Labour Inspectorate of the Republic of Slovenia, the Market Inspectorate of the Republic of Slovenia, and the Ministry of Economy.

(2) AJPES shall be responsible for monitoring the implementation of the provisions of paragraphs (1) and (2) of Article 58, paragraph (1) of Article 59, paragraphs (2) and (3) of Article 680 in connection with Article 58, paragraph (2) of Article 74, and paragraphs (1) and (2) of Article 75 of this Act.

(3) The Tax Administration of the Republic of Slovenia shall be responsible for monitoring the implementation of the provisions of paragraph (3) of Article 54 of this Act.

(4) The Labour Inspectorate of the Republic of Slovenia shall be responsible for monitoring the implementation of the provisions of paragraph (2) of Article 11 of this Act.

(5) The Market Inspectorate of the Republic of Slovenia shall be responsible for monitoring the implementation of the provisions of Article 19, paragraph (1) of Article 54, Article 156, paragraph (2) of Article 679, paragraphs (5) and (6) of Article 71, and Article 127 of this Act.

(6) The Ministry of Economy shall be responsible for mentoring the implementation of all other provisions of this Act.

PART IX
PENAL PROVISIONS

Article 685
(Offences committed by a company)

(1) A fine from EUR 16 000 to EUR 62 000 shall be imposed on a company that:

1. acts in violation of paragraphs (2) and (3) of Article 11 of this Act;

2. fails to use its corporate name in the form registered in its day-to-day operations (Article 19);

3. does not submit for registration such data as are to be included in the application for registration under this Act (Articles 47 and 48);

4. fails to keep books of account in compliance with paragraph (3) of Article 54 of this Act;

5. issues shares at an issue price that is below the Minimum Issue Price (paragraph (1) of Article 173);

6. exempts shareholders and their predecessors from payment of obligations (paragraph (1) of Article 226);

7. refunds or pays interest on capital contributions (Article 227);

8. fails to submit for registration data referred to in Article 277 and in paragraph (1) of Article 278 of this Act;

9. fails to send a notarised copy of the minutes and attachments to the register within 24 hours of the general meeting (paragraph (5) of Article 304);
10. fails to provide the statement referred to in paragraph (3) of Article 352 of this Act;
11. cancels shares contrary to the provisions of Article 376 of this Act.

(2) A fine of EUR 1 000 to EUR 4 000 shall be imposed also on the company's responsible person who commits an offence referred to in the preceding paragraph.

Article 685a

(Specific offences committed by the company and by its management)

(1) A fine of EUR 16 000 to EUR 62 000 euros shall be imposed on the company for failure to dispose or withdraw shares, pursuant to paragraphs (2) and (3) of Article 250 of this Act.

(2) A fine of EUR 1 000 to EUR 4 000 shall be imposed on a management member for failure to dispose of the company's shares, or failure to prepare the draft resolution of the general meeting to withdraw the company's shares, pursuant to paragraphs (2) and (3) of Article 250 of this Act.

Article 686

(Other offences committed by a company)

(1) A fine from EUR 6 000 to EUR 40 000 shall be imposed on a company that:
1. in its reports, fails to provide data referred to in paragraph (1) of Article 45 of this Act;
2. fails to draw up the annual report or the consolidated annual report within the time limits referred to in Article 54 of this Act;
2a. fails to include in the annual report the elements referred to in Article 60 of this Act;
2b. fails to sign the annual report in compliance with Article 60a of this Act;
2c. fails to submit to AJPES the annual report or consolidated annual report for publication in the manner and within the time limit laid down by this Act (paragraphs (1) and (2) of Article 58);
3. fails to send to AJPES the data from annual reports on their assets and financial operations and on the profit or loss within three months after the end of the financial year (paragraph (1) of Article 59);
4. fails to include in the business records, in addition to the corporate name of the double partnership, the names and surnames of the members of the general partner's management board in a double partnership (paragraph (1) of Article 156);
5. fails to add the corporate name of the general partner when a natural person signs on behalf of the company in matters relating to the conduct of business of a double partnership (paragraph (2) of Article 156);
6. has more than one half of the company's share capital in preference shares without voting rights (paragraph (2) of Article 178);
7. does not seize unpaid shares after the second call (paragraph (2) of Article 224);
8. subscribes to own shares (paragraph (1) of Article 229);
9. acquires own shares contrary to the provisions of paragraph (2) of Article 229 of this Act;
10. pays interim dividend in contravention of the provisions of paragraph (2) of Article 232 of this Act;

11. fails to enter registered shares in the share register (paragraph (1) of Article 235;

12. constitutes its management or supervisory body in contravention of the provisions of Articles 254 and 255 of this Act;

13. approves loans in contravention to the provisions of Article 261 of this Act;

14. has constituted its supervisory board in contravention to the provisions of Article 273 of this Act;

15. fails to publish documents or fails to enable free copying thereof (paragraph (2) of Article 188, paragraph (2) of Article 297a, paragraphs (2) and (3) of Article 437, paragraph (3) of Article 447, paragraph (4) of Article 586 and Article 629); and

16. fails to publish additional agenda items referred to in paragraph (3) of Article 298 of this Act.

(2) A fine of EUR 300 to EUR 4000 shall be also imposed on the company’s responsible person who commits an offence referred to in the preceding paragraph.

Article 687

(Offences committed by a foreign-owned company which established a branch)

(1) A fine from EUR 20 000 to EUR 62 000 shall be imposed on a foreign company that has established a branch and fails to submit for registration all the data to be included in the application for registration under this Act (Articles 677 and 681).

(2) A fine from EUR 6 000 to EUR 40 000 shall be imposed on the branch of a foreign company that has established a branch that:

1. fails to use its corporate name and other data referred to in Article 679 of this Act in its operations;

2. fails to submit to AJPES the annual report for publication within eight months of the end of the financial year (paragraphs (2) and (3) of Article 680 in connection with Article 58).

Article 688

(Offences committed by company owners)

(1) A fine of EUR 600 to EUR 1 600 shall be imposed for an offence on a company owner who:

1. in cases referred to in paragraph (2) of Article 58 of this Act, fails to submit to AJPES the annual report for publication within three months of the end of the financial year; with the exception of company owners who are taxed on the basis of established profit by taking into consideration normalised expenses in compliance with provisions of the act governing the tax on income;

2. in cases referred to in paragraph (1) of Article 59 of this Act, fails to submit to AJPES the data from annual reports on his/her assets and financial operations and on the profit or loss within three months of the end of the financial year; with the exception of company owners who are taxed on the basis of established profit by taking into consideration normalised expenses in compliance with provisions of the act governing the tax on income;
3. fails to use the designation 's.p.', in violation of paragraphs (1) and (2) of Article 72 of this Act;

4. fails to report any change of data or the winding up of operations to the Business Register of Slovenia in compliance with paragraph (1) of Article 75 of this Act;

5. submits incorrect data for registration in the Business Register of Slovenia (paragraph (2) of Article 74).

(2) A fine of EUR 600 to EUR 1200 shall be imposed also on the company owner's responsible person who commits an offence referred to in the preceding paragraph.

Article 689
(Offences committed by shareholders or founders' shareholders)

A fine of EUR 600 to EUR 1200 shall be imposed for an offence on shareholders or founders' shareholders who:

1. fail to report the dissolution of a company for entry into the register (paragraph (1) of Article 117);

2. fail to provide all the necessary information in the prospectus (paragraph (1) of Article 207);

3. dispose of payments made for shares (Article 213).

Article 689a
(Offence committed by the management)

A fine of EUR 4 000 to EUR 5 000 shall be imposed for an offence on the management, the procuration holder and executive directors of a public limited company or a limited liability company who enter into a legal transaction referred to in paragraph (1) of Article 38a of this Act without the approval of the supervisory board, the board of directors or the general meeting, or who do not notify such bodies of such legal transactions in compliance with paragraph (2) of Article 38a of this Act.

Article 690
(Offences committed by liquidators)

(1) A fine of EUR 1 600 to EUR 3 700 shall be imposed for an offence on a liquidator who is a legal person or a company owner who:

1. signs documents in violation of Article 127 of this Act.

2. fails to draw up the opening and closing liquidation account (article 128);

3. fails to notify the removal of the company from the register after the winding-up (paragraph (1) of Article 132).

(2) A fine of EUR 2 000 to EUR 1 000 shall be imposed for an offence to the responsible person of a legal person or the responsible person of a company owner's business who commits an offence referred to in the preceding paragraph.

(3) A fine of EUR 600 to EUR 1 200 shall be imposed for an offence on a liquidator who is a natural person who:
1. signs documents in violation of Article 127 of this Act;

2. fails to draw up the opening and closing liquidation account (article 128);

3. fails to notify the removal of the company from the register after the winding-up (paragraph (1) of Article 132).

**Article 691**

*(Offence committed by individuals)*

A fine of EUR 600 to EUR 1200 shall be imposed for an offence of an individual who is bound to submit the application for registration and fails to do so within the prescribed time limit (Articles 47 and 48).

The Companies Act (ZGD-1) (Uradni list RS (Official Gazette of the Republic of Slovenia), No. 42/07) shall include the following transitional and final provisions:

**PART X**

**TRANSITIONAL AND FINAL PROVISIONS**

**Article 692**

*(Application of sums)*

Until the date of the introduction of the euro as defined by the act governing the introduction of the euro (hereinafter: the date of the introduction of the euro) the following shall apply:

– in paragraph (2) of Article 55 of this Act, the amount of '2 000 000 euros' shall be replaced by '480 million tolars';

– in paragraph (3) of Article 55 of this Act, the amount of '7 300 000 euros' shall be replaced by '1 700 million tolars', and the amount of '3 650 000 euros' shall be replaced by '850 million tolars';

– in paragraph (4) of Article 55 of this Act, the amount of '29 200 000 euros' shall be replaced by '6 800 million tolars', and the amount of '14 600 000 euros' shall be replaced by '3 400 million tolars';

– in paragraph (3) of Article 57 of this Act, the amount of '150 000 euros' shall be replaced by '35 million tolars';

– in paragraph (2) of Article 73 of this Act, the amount of '42 000 euros' shall be replaced by '10 000 000 tolars', and the amount of '25 000 euros' shall be replaced by '6 000 000 tolars';

- in Article 170 of this Act the word 'euros' shall be replaced by the word 'tolars';

– in Article 171 of this Act, the amount of '25 000 euros' shall be replaced by '6 million tolars';

– in paragraph (2) of Article 172 of this Act, the amount of '1 euro' shall be replaced by '1 000 tolars';

– in paragraph (3) of Article 172 of this Act, the amount of '1 euro' shall be replaced by '1 000 tolars';
– in paragraph (1) of Article 233 and in the second paragraph of Article 399 of this Act, the amount of '400 000 euros' shall be replaced by '100 million tolars';

– in paragraphs (2) and (4) of Article 318, in the first paragraph of Article 322, in paragraph (1) of Article 325 and in paragraph (1) of Article 328 of this Act, the amount of '400 000 euros' shall be replaced by '100 million tolars';

– in paragraph (1) of Article 475 of this Act, the amount of '7 500 euros' shall be replaced by '2 100 000 tolars', and the amount of '50 euros' shall be replaced by '14 000 tolars';

– in paragraph (4) of Article 475 of this Act, the amount of '7 500 euros' shall be replaced by '1 100 000 tolars';

– in paragraph (4) of Article 476 of this Act, the amount of '100 000 euros' shall be replaced by '14 million tolars';

– in paragraph (1) of Article 506 of this Act, the amount of '50 euros' shall be replaced by '14 000 tolars';

– in paragraph (3) of Article 605 of this Act, the amount of '25 000 euros' shall be replaced by '6 million tolars';

– in paragraph (1) of Article 662 of this Act, the amount of '1 euro' shall be replaced by '1 400 tolars';

– in paragraph (1) of Article 685 of this Act, the amount of '16 000 euros' shall be replaced by '4 000 000 tolars', and the amount of '62 000 euros' shall be replaced by '15 000 000 tolars';

– in paragraph (2) of Article 685 of this Act, the amount of '1 000 euros' shall be replaced by '250 000 tolars', and the amount of '4 000 euros' shall be replaced by '1 000 000 tolars';

– in the first paragraph of Article 686 of this Act, the amounts of '6 000 euros' and '40 000 tolars' shall be replaced by '1 500 000 tolars' and '10 000 000 tolars' respectively;

– in paragraph (2) of Article 686 of this Act, the amount of '300 euros' shall be replaced by '75 000 tolars', and the amount of '4 000 euros' shall be replaced by '1 000 000 tolars';

– in paragraph (1) of Article 687 of this Act, the amount of '20 000 euros' shall be replaced by '5 000 000 tolars', and the amount of '62 000 euros' shall be replaced by '15 000 000 tolars';

– in paragraph (2) of Article 687 of this Act, the amount of '6,000 euros' shall be replaced by '1 500 000 tolars', and the amount of '40 000 euros' shall be replaced by '10 000 000 tolars';

– in paragraph (1) of Article 688 of this Act, the amount of '600 euros' shall be replaced by '150 000 tolars', and the amount of '1 600 euros' shall be replaced by '400 000 tolars';

– in paragraph (2) of Article 688 of this Act, the amount of '600 euros' shall be replaced by '150 000 tolars', and the amount of '1 200 euros' shall be replaced by '300 000 tolars';

– in Article 689 of this Act, the amount of '600 euros' shall be replaced by '150 000 tolars', and the amount of '1 200 euros' shall be replaced by '300 000 tolars';

– in paragraph (1) of Article 690 of this Act, the amount of '1 600 euros' shall be replaced by '400 000 tolars', and the amount of '3 700 euros' shall be replaced by '900 000 tolars';

– in paragraph (2) of Article 690 of this Act, the amount of '1 000 euros' shall be replaced by '240 000 tolars', and the amount of '2 000 euros' shall be replaced by '480 000 tolars';
– in paragraph (3) of Article 690 of this Act, the amount of ‘600 euros’ shall be replaced by ‘150,000 tolars’, and the amount of ‘1,200 euros’ shall be replaced by ‘300,000 tolars’;

– in Article 691 of this Act, the amount of ‘600 euros’ shall be replaced by ‘150,000 tolars’, and the amount of ‘1,200 euros’ shall be replaced by ‘300,000 tolars’.

**Article 693**

*Method of conversion of the nominal value of shares and of share capital of public limited companies*

(1) On the date of the introduction of the euro, the nominal value of shares shall be converted from tolars to euros on the basis of the minimum nominal amount of shares with the conversion rate laid down by the Council of the European Community in a regulation to be adopted in compliance with paragraph (5) of Article 123 of the Treaty Establishing the European Community (hereinafter: the conversion rate). The sum thus obtained shall be rounded up or down to two decimals in compliance with the act governing the introduction of the euro. On the basis of the thus calculated nominal amount of shares, other higher nominal amounts of shares shall be calculated as a multiple of this amount. The share capital shall be the sum of nominal values of shares calculated by this method. Relations among rights derived from shares, relations among shares’ nominal value amounts and the share capital, and relations among voting rights in a public limited company shall in no way be altered because of the conversion of tolars to euros. Any differences in amounts resulting from the conversion shall be either transferred into capital reserves or shall be covered first from unrestricted revenue reserves, then from legal reserves, other tied-up revenue, and lastly from capital reserves; any remaining deficit shall be shown as loss brought forward.

(2) On the date of the introduction of the euro, the share capital of a public limited company with no par value shares shall be converted at the conversion rate.

**Article 694**

*Method of conversion of the nominal value of shares and of share capital of public limited companies*

(1) For public limited liability companies that have been registered or notified for registration before the date of introduction of the euro, the amount of the relevant share capital valid on that date shall remain valid until the amounts of capital contributions and share capital have been reconciled with the amounts applicable from the day of introduction of the euro.

(2) The shares of companies referred to in the preceding paragraph that had been issued before the day of introduction of the euro may also be expressed in tolars after the day of the introduction of the euro, in compliance with Article 692 of this Act; however, such expression shall be used in a uniform manner for all shares of a company.

(3) A general meeting of a public limited company that carries out the changeover of nominal amounts of shares and of share capital to the euro at the conversion rate before the day of the introduction of the euro shall adjust such amounts in compliance with the provisions of this Act. Such resolutions of general meetings shall not be registered before the day of the introduction of the euro. The registration authority shall refuse to register the modification if the articles of association are not harmonised with this Act.

(4) A general meeting of a public limited company issuing no par value shares before the day of introduction to the euro or before the day the conversion rate is fixed may authorise the supervisory or the management board to convert the amounts of share capital in tolars in
the articles of association to euros at the conversion rate on the day of introduction of the euro.

(5) Relations among rights derived from capital contributions, and the relations of their nominal amounts to the share capital shall not be altered because of the conversion of tolars to euros without the approval of the shareholders concerned.

(6) Public limited companies that fail to carry out conversion to the euro of nominal shares and of share capital or do not issue no par value shares before the day of the introduction of the euro shall only be authorised to register modifications of share capital in the case they simultaneously register the modification of the articles of association concerning the conversion of nominal value amounts of their shares and share capital to euro pursuant to the provisions of this Act.

(7) Public limited companies shall not pay any court fee for the registration of data concerning adjustment of the articles of association because of the changeover to the euro.

Article 695

- ZSReg-B in ZTFI taken into consideration (Procedure of changeover to the euro for public limited companies)

(1) Notwithstanding the provisions of paragraph (2) of Article 329 of this Act or the provisions of the Articles of association, the changeover to the euro of the share capital and of the nominal value of shares shall be decided by the general meeting by a simple majority of the share capital represented at the general meeting at the time of voting. Provisions of the third sentence of paragraph (1) and paragraph (2) of Article 332 of this Act shall apply to notification and registration of the changeover to the euro.

(2) Notwithstanding the provisions the first sentence of paragraph (2) of Article 358, of paragraph (1) of Article 333 and of Article 372 of this Act, or the provisions of the Articles of association, the share capital increase by means of the company's own assets or share capital decrease in the amount necessary so that the nominal value of shares is defined in the nearest higher or lower euro unit without decimals shall be decided by the general meeting by a simple majority of the share capital represented at the general meeting at the time of voting; however, for the adoption of a resolution on the share capital decrease, at least half of the share capital shall be represented. The same majority shall be requested for deciding on adequate adjustment of authorised capital and on the distribution of shares in case of unchanged share capital in relation to any changes of the share capital.

(3) The share capital increase by means of the company's own assets or share capital decrease shall be done by the increase or decrease of the nominal value of shares or by a new distribution of nominal values of shares. The new distribution of nominal values of shares shall be approved by those shareholders who have fully paid the shares and who as a result would not have the appropriate number of full shares in relation to their share, or would have fewer shares than before. The provisions of Article 606 of this Act shall apply, mutatis mutandis, to such approval by shareholders.

(4) Shares issued from the conditional share capital after the balance sheet cut-off date of the latest fiscal year shall be considered, for the calculation of share capital increase by means of own assets and for the adoption of amendments to the articles of association concerning the changeover to the euro, as being issued after their registration. Any shares issued from the conditional capital shall participate in the modification of nominal value amounts.

(5) Notwithstanding the provisions of paragraphs (3) and (10) of Article 64 and of paragraph (1) of Article 359 of this Act, for the purpose of share capital increase by means of
the company's own assets referred to in paragraph (2) of this Article, capital and legal reserves and corresponding increases may be converted into share capital even if their total share does not exceed either one tenth of the existing share capital or more, as defined in the articles of association. Amounts resulting from share capital reduction referred to in paragraph (2) of this Article shall be shown in capital reserves.

(6) The provision of the second sentence of paragraph (1) of Article 244 of this Act shall not apply to the procedure of changeover to the euro.

(7) In the procedure of changeover to the euro, shares shall be replaced by shares in dematerialised form. Provisions of this Act concerning shares certificates and shares issued in the form of instruments in writing shall apply until the adjustment of shares to provisions of Article 182 of this Act. Notwithstanding the provisions of Article 182 of this Act, shares may be in dematerialised form until the changeover to the euro.

(8) The provision of the sixth sentence of paragraph (3) of Article 294 of this Act shall not apply to public limited companies that, on their general meetings held in 2006 for the financial year 2005 shall deliberate on the appropriation of distributable profits, on the discharge and on the adjustment of amounts referred to in Article 171 and paragraph (2) of Article 172 of this Act to the euro and their harmonisation with this Act. Provisions of Article 58 of this Article on publication shall apply, mutatis mutandis.

Article 696

(Method of conversion of capital contributions and of share capital of limited liability companies)

(1) On the day of the introduction of the euro, the amount of the share capital in tolars (SIT) of limited liability companies shall be converted to euros (EUR) at the conversion rate. The amount thus obtained shall be divided by 100 and rounded up or down to two decimals in compliance with the act governing the introduction of the euro. The business share of each shareholder expressed as a percentage shall then be multiplied by the amount thus obtained, and in this way capital contributions of shareholders in euros shall be calculated. The share capital shall be the sum of thus calculated capital contributions.

(2) Relations among rights derived from capital contributions, and relations between their nominal value amounts and the share capital, as well as relations among voting rights shall in no way be altered because of the conversion of tolars to euros.

(3) Any differences in amounts resulting from the conversion shall be either transferred into capital reserves, or shall be covered first from unrestricted revenue reserves, then from legal reserves and other tied-up revenue reserves and lastly from capital reserves; any remaining deficit shall be shown as loss brought forward.

Article 697

- ZSReg-B taken into consideration (Conversion of capital contributions and of share capital of limited liability companies)

(1) For limited liability companies that have been registered or notified for registration before the date of introduction of the euro, the amount of the relevant share capital valid on that date shall remain valid until the amounts of capital contributions and share capital have been reconciled with the amounts applicable from the day of introduction of the euro.

(2) The capital contributions of companies referred to in the preceding paragraph that had been issued before the day of the introduction of the euro may also be expressed in tolars after the day of the introduction of the euro in compliance with Article 692 of this Act;
however, such expression shall be used in a uniform manner for all capital contributions of a company.

(3) The general meeting of a limited liability company may decide before the day of the introduction of the euro to carry out the changeover to the euro of capital contributions and of the share capital in the manner referred to in the preceding paragraph; at the same time, it shall authorise its manager to substitute, in the contract of partners, the amounts in tolar with amounts in euros on the day of the introduction of the euro.

(4) Relations among rights derived from capital contributions, and their relations to the share capital shall not change because of the conversion of tolar to euros without the approval of the shareholders concerned. The provisions of Article 606 of this Act shall apply, mutatis mutandis, to such approval by shareholders.

(5) Limited liability companies that fail to carry out conversion to the euro of capital contributions and of share capita before the day of the introduction of the euro shall only be authorised to register modifications of share capital in the case they simultaneously register the modification of the contract of partners concerning the conversion of book-value amounts of their capital contributions and share capital to euro, pursuant to this Act.

(6) Notwithstanding the provisions of paragraph (1) of Article 516 of this Act, conversion to the euro of capital contributions and of share capital shall be decided by the general meeting by a simple majority. Provisions of the third sentence of paragraph (4) of Article 516 of this Act shall not apply to notification and registration of the conversion. Provisions on the conversion to the euro shall not apply to any other resolutions adopted together with the resolution on the conversion of capital contributions and share capital to the euro.

(7) Notwithstanding the provisions of paragraph (1) of Article 516 of this Act or the provisions of the contract of partners, the general meeting may adopt such modifications of the contract of partners concerning the limited liability company's changeover to the euro, which do alter existing relations, by a simple majority of all shareholders.

(8) The provisions of paragraph (8) of Article 695 of this Act shall apply, mutatis mutandis, to the adjustment of limited liability companies' amounts referred to in paragraphs (1) and (4) of Article 475 of this Act.

(9) Limited liability companies shall not pay any court fee for the registration of data concerning modification of the contract of partners because of the changeover to the euro.

Article 698
(Time limit for changeover to the euro)

(1) A company shall adjust its articles of association or its contract of partners to the changeover to the euro pursuant to this Act within two years of the day of the introduction of the euro, at the latest.

(Note: This shall not apply to limited liability companies - ZSReg-B.)

(2) Any limited liability company which, on the day of the introduction of the euro does not have paid-in share capital in the amount of EUR 7,000 in compliance with Article 475 of this Act shall have to contribute share capital in the said amount within one year of the introduction of the euro at the latest; if it fails to do so, it shall not be allowed to transfer its business shares, except in cases concerning inheritance, division of common property of spouses or proceedings in matters of claim enforcement, but not to pay profit to shareholders.
(3) Investments firms which, on the day of entry into force of this Act, have less than 1,000 tolers of nominal shares may change over to the euro by way of no par value shares whose corresponding share is less than one euro. Such investment companies shall adjust the corresponding share of the no par value share in compliance with paragraph (3) of Article 172 of this Act by the end of the financial year beginning in 2011, at the latest.

**Article 699**

*(Other obligations)*

(1) The companies referred to in paragraph (10) of Article 54 of this Act, which have only the debt securities as provided for by the act regulating the securities market quoted on any of the regulated security markets in EU Member States, shall draft their first accounting reports in compliance with International Accounting Standards for the financial year beginning in 2007, at the latest.

(2) Companies referred to in paragraph (11) of Article 54 of this Act shall draft their first accounting reports in compliance with International Accounting Standards for the financial year beginning in 2006.

(3) Banks shall draft their first accounting reports in compliance with International Accounting Standards for the financial year beginning in 2006.

(4) Insurance companies shall draft their first accounting reports in compliance with International Accounting Standards for the financial year beginning in 2007.

(5) Public limited companies without supervisory boards shall harmonise their operations with the provisions of this Act on governance bodies of public limited companies within 18 months of the entry into force of this Act.

(6) The registration authority shall, within three months of the entry into force of this Act, submit to AJPES (Agency of the Republic of Slovenia for Public Legal Record and Related Services) all relevant documents and transfer the whole database to the register of company owners. AJPES shall enter these company owners in the Business Register of Slovenia.

(7) A member of the supervisory board who (at the moment of the entry into force of this Act) is already a member of more than three companies shall carry out this function only until the end of his/her term of office.

**Article 700**

*(Transitional penal provisions)*

A fine of EUR 16,000 to EUR 62,000 shall be imposed for a minor offence on a company that:

- within the financial year following the time limit referred to in paragraph (1) of Article 698 fails to carry out the adaptations necessary for switchover to the euro; or

- within the time limit referred to in paragraph (6) of the preceding Article fails to harmonise its operation with the provisions of this Act on governance bodies of public limited companies.

(2) A fine of EUR 1,000 to 4,000 shall be imposed on the company's responsible person who commits the offence specified in the preceding paragraph.

**Article 701**
(Application of other regulations)

(1) Provisions of regulations on nominal value shares shall apply, mutatis mutandis, to issues concerning no par value shares that are not laid down by this Act, until such regulations are harmonised with this Act.

(2) Provisions of regulations on the management board and the supervisory board and members of such boards shall apply, mutatis mutandis, to issues concerning the management board that are not laid down by this Act, until such regulations are harmonised with this Act.

(3) Provisions of regulations on the management board and the supervisory board and members of such boards shall apply, mutatis mutandis, to issues concerning executive directors that are not laid down by this Act, until such regulations are harmonised with this Act.

Article 702

(Application of provisions on books of account in the annual report for 2006)

(1) Notwithstanding the provisions of Article 708 of this Act, Article 73 and provisions of Chapter XIII of Part One of this Act shall apply and be taken into account for the keeping of books of account and the drafting of annual report for the financial year beginning in 2006.

(2) A company owner who, in the fiscal year 2006, decides on tax base assessment by taking into consideration normalised expenses shall be allowed, notwithstanding the provisions of the act governing the tax procedure, to file a request for tax base assessment by taking into consideration normalised expenses for the fiscal year 2006 with the Tax Administration of the Republic of Slovenia not later than 30 days of the entry into force of this Act. Such a request filed by a company owner in compliance with the Act governing the tax procedure before the entry into force of this Act shall be considered to have been filed in due time according to this Act.

Article 703

– ZSDU-B taken into consideration

(Ceased to apply.)

Article 704

(Time limit for issuing implementing regulations)

(1) The ministers responsible for economy and for justice shall issue the regulation referred to in paragraph (12) of Article 58 of this Act within three months of the date of entry into force of this Act.

(2) The minister responsible for economy shall issue the regulation or regulations referred to in Articles 74, 75 and 474 of this Act within three months of the date of entry into force of this Act.

(3) The minister responsible for economy shall issue a regulation defining the forms referred to in Articles 474 and 523 of this Act within six months of the date of entry into force of this Act.

(4) The Chamber of Notaries shall submit for approval to the ministers responsible for economy and justice the regulation referred to in paragraph (2) of this Article within three
months of the date of entry into force of this Act. The ministers shall decide on the approval within one month from the date of submission.

(5) The ministers responsible for economy, for justice and for finances shall issue a regulation referred to in paragraph (7) of Article 615 of this Act within three months of the entry into force of this Act.

Article 705

(Termination of proceedings initiated prior to entry into force of this Act)

All matters that are subject to on-going proceedings on the date of the entry into force of this Act, and all matters for which a request or a remedy had been filed before the entry into force of this Act, shall be terminated in compliance with the provisions of the Companies Act (Ur. I. RS, no 15/05 – official consolidated text).

Article 706

(Appointment of members of the settlement board)

The ministers responsible for economy, for justice and for finances, shall appoint the president and members of the settlement board of experts and their deputies within three months from the entry into force of this Act. The president and members of the settlement board of experts that had been appointed before the entry into force of this Act shall perform their tasks until the appointment of the new president and members.

Article 707

(Amendment of other regulations)

(1) At the end of the sentence in point 3 of paragraph (1) of Article 41a of the Court Register of Legal Entities Act (Ur. I. RS, no. 114/05 – official consolidated text) before the comma the following words shall be inserted: 'or on the prescribed form'.

(2) In the Takeover Act (Ur. I. RS, nos 47/97 and 56/99) paragraph (4) of Article 2 and Articles 67 to 79 shall be deleted.

(3) In Article 1 of the auditing Act (Ur. I. RS, no. 11/10) the words 'by the Slovenian Accounting Standards' shall be replaced by the words 'by the accounting standards provided for by the act regulating companies'.

Article 708

(Repeal of regulations)

(1) As of the date of entry into force of this Act, the Companies Act (Ur. I. RS, nos 30/93, 29/94, 82/94, 20/98, 84/98, 6/99, 54/99 - ZFPPod, 31/00 – ZP-L, 36/00 - ZPDC, 45/01, 59/01 - corr., 93/02 – Constitutional Court decision, 57/04 and 139/04) shall cease to apply.

(2) As of the date of the entry into force of this Act, the following implementing regulations shall cease to apply:

- Rules on method and procedure of entry and management of data on company owners in Business Register of Slovenia (Ur. I. RS, no. 62/05),

Rules on the method of submitting annual reports by companies and company owners, on the method of publishing annual reports and the method of notification of registration court on the publishing of annual reports (Ur. I. RS, no 42/05),
- Rules on verification and keeping of the book of orders by a single-person company with limited liability (Ur. l. RS, no 96/01), and

- Order on criteria determining remuneration to the members of Mediation Committee of Experts (Ur. l. RS, no 10/02).

(3) The implementing regulations referred to in the preceding paragraph shall apply pending the issuing of new regulations, provided they do not contravene this Act.

Article 709

(Entry into force)

This Act shall enter into force on the fifteenth day following its publication in Uradni list Republike Slovenije (The Official Gazette of the Republic of Slovenia).

The Act Amending the Companies Act – ZGD-1A (Ur. l. RS, no. 10/08) shall include the following final provision:

FINAL PROVISION

Article 7

This Act shall enter into force on the day following its publication in Uradni list Republike Slovenije (The Official Gazette of the Republic of Slovenia).

The Act Amending the Companies Act – ZGD-1B (Ur. l. RS, no. 68/08) shall include the following transitional provisions and final provision:

TRANSITIONAL PROVISIONS AND FINAL PROVISION

Article 49

(Transitional provision)

The provision of point 5 of paragraph (3) of Article 75 of this Act shall begin to apply on 1 October 2008. Before this date, removals of company owners from the Business Register of the Republic of Slovenia shall be subject to the same provisions that applied to such removals prior to the effective date of this Act.

Article 50

(Transitional provision)

As of the implementation date of this Act, the Rules on verification and keeping the register of decisions by single-member private liability companies shall remain in effect (Ur. l. RS, nos 111/06 and 141/06).

Article 51

(Entry into force)

This Act shall enter into force on the fifteenth day of its publication in Uradni list Republike Slovenije (The Official Gazette of the Republic of Slovenia).

The Act Amending the Companies Act – ZGD-1C (Ur. l. RS, no. 42/08) shall include the following transitional provisions and final provision:

TRANSITIONAL PROVISIONS AND FINAL PROVISION
Article 37

(1) Companies shall harmonise their articles of association by 1 September 2010 in accordance with the provisions of this Act.

(2) Provisions of Articles 10, 11, 13, 15 and 18 of this Act shall apply as of 1 September 2009. Before this date, the content and publication of convocations, period of notice to convene general meetings and participation in general meetings, supplements to the agenda, shareholders’ proposals and the results of voting shall be subject to the provisions of the act that has been in force until the entry into force of the present Act.

(3) The provisions of Article 21 of this Act shall apply as of 1 September 2009.

Article 38

This Act shall enter into force on the fifteenth day following its publication in Uradni list Republike Slovenije (The Official Gazette of the Republic of Slovenia).

The Act Amending the Companies Act – ZGD-1D (Ur. l. RS, no. 33/2011) shall include the following final provision:

FINAL PROVISION

Article 3

This Act shall enter into force on the fifteenth day following its publication in Uradni list Republike Slovenije (The Official Gazette of the Republic of Slovenia).