

CROATIAN PARLIAMENT

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Pursuant to Article 88 of the Constitution of the Republic of Croatia, I hereby issue the

DECISION PROMULGATING THE ACT ON THE TAKEOVER OF JOINT STOCK COMPANIES

I hereby promulgate the Act on the Takeover of Joint Stock Companies, passed by the Croatian Parliament at its session on 5 October 2007.

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Zagreb, 12 October 2007

President
of the Republic of Croatia
Stjepan Mesić, m.p.

ACT ON THE TAKEOVER OF JOINT STOCK COMPANIES

GENERAL PROVISIONS Article 1

This Act shall regulate terms and conditions for making a bid for a takeover of offeree companies, takeover procedure, rights and obligations of the participants in the takeover procedure and supervision of takeover of offeree companies.

DEFINITIONS OF TERMS Article 2

For the purpose of this Act, individual terms shall have the following meaning:

1. «offeree company» shall mean:
 - a) a public joint stock company in terms of the Securities Market Act,
 - b) a joint stock company with its registered office in another European Economic Area country, the voting shares of which are admitted to trading on a regulated market in a European Economic Area country, in terms of Article 4, paragraph

- 1, item 14 of Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC (OJ L 145, p. 1),
2. «takeover bid» shall mean a public offer, whether mandatory or voluntary, made to all shareholders of the offeree company to acquire all voting shares under the terms and conditions determined by this Act. The takeover bid may also simultaneously be made to acquire preference share carrying no voting rights,
3. «acquirer» shall mean any natural or legal person who acquires or who has acquired voting shares of the offeree company,
4. “offeror” shall mean any natural or legal person who is, pursuant to the provisions of this Act, obliged to disclose a takeover bid or who has announced his intention of disclosing the takeover bid,
5. “voting shares” shall mean all the shares of an offeree company carrying voting rights,
6. “depository” shall mean the central depository agency or a bank which has its registered office in the Republic of Croatia,
7. “the Agency” shall mean the Croatian Financial Services Supervisory Agency,
8. “Member States” shall mean the European Economic Area countries.

GENERAL PRINCIPLES

Article 3

The participants in the takeover procedure shall comply with the following principles, in the course of the takeover procedure and in exercising their rights and obligations:

1. shareholders of an offeree company, who hold shares of the offeree company of the same class, and to whom the takeover bid is addressed, shall be afforded equivalent treatment in the takeover procedure,
2. shareholders of an offeree company, to whom the takeover bid is addressed, shall have sufficient time and information to enable them to reach a properly informed decision on the takeover bid,
3. the management and supervisory board of an offeree company shall act, in the course of the takeover procedure, in the best interest of an offeree company,
4. the offeror and the offeree company shall carry out the takeover procedure at the earliest opportunity and the offeree company must not be hindered in the conduct of its affairs for longer than is foreseen,
5. trading in shares of the offeror, offeree company and other companies participating in the takeover procedure must not result in the distortion of the market,
6. the offeror may announce the takeover bid only after ensuring that he can fulfil in full any cash consideration and any other type of consideration, as prescribed by the provisions of this Act.

DISCLOSURE

Article 4

- (1) Where the disclosure requirement is prescribed by the Act, the disclosure shall be made in the Croatian language, in the Official Gazette and in a daily newspaper, regularly sold on the entire territory of the Republic of Croatia.
- (2) The disclosure requirement shall be deemed met if the publishers have received, before the expiry of a deadline, the orders for publication in the first following issue.
- (3) Notwithstanding the provision of paragraph 2 of this Article, in the case of revision of a takeover bid, competing bids and withdrawal of a takeover bid, the disclosure requirement shall be deemed already met by a publication in a newspaper, provided that the order for publication in the first following issue of another newspaper has been received.
- (4) In all cases of disclosure requirements under the provisions of this Act, a proof of publication order receipt and a proof of publication shall immediately be delivered to the Agency.
- (5) The offeror and the persons acting in concert with him, and the management and supervisory board members of an offeree company shall be prohibited from communicating with the public, apart from the disclosure requirements under the provisions of this Act.

ACTING IN CONCERT

Article 5

- (1) Persons acting in concert shall be natural and/or legal persons who cooperate mutually or with the offeree company on the basis of an agreement, either express or tacit, either oral or written, aimed at acquiring voting shares, concerted exercising of voting rights or preventing other persons from carrying out the takeover bid.
- (2) The following persons shall be deemed to act in concert:
 1. persons connected only through circumstances related to the acquisition of shares, such as:
 - time or period in which the shares were acquired,
 - place of acquisition,
 - method of acquisition,
 - provisions of the acquisition agreement,
 - value of the acquired shares,
 - other circumstances which led to the acquisition of shares, indicating concerted acquisition or concerted intention of persons.

2. management or supervisory board members of companies acting in concert,
 3. management or supervisory board members with companies in which they are members of these bodies,
 4. persons who proposed, at the general meeting of the offeree company, the appointment or removal from office of management or supervisory board members, or other decisions for the adoption of which a three-quarter majority vote of those present at the general meeting is required, and who voted in favour of the adoption of such decisions.
- (3) Legal persons and natural and/or legal persons shall act in concert, where one of them exercises direct or indirect control over another or other legal persons.
- (4) Natural and/or legal persons shall be deemed to exercise control over a legal person in the following cases:
1. if they hold, directly or indirectly, more than 25% of share in equity capital of a legal person,
 2. if they hold, directly or indirectly, more than 25% of voting rights at the general meeting of a legal person,
 3. if they have a right to manage business and financial policies of a legal person on the basis of powers granted under the articles of association or an agreement,
 4. if they exert, directly or indirectly, the prevailing influence on conducting business and decision-making process.
- (5) Companies shall act in concert only if they are mutually related in terms of the provisions of the Companies Act.
- (6) Natural persons shall act in concert if they are related by blood in direct line and in collateral line up to the first degree of kinship, and if they are spouses or extra-marital partners.

METHOD OF ACTING IN CONCERT

Article 6

- (1) Establishment of the acting in concert relationship, pursuant to an agreement referred to in paragraph 1, Article 5 of this Act, shall be equivalent to the acquisition of voting shares.
- (2) Voting shares of the persons acting in concert with the acquirer shall be added to the voting shares of the acquirer.
- (3) Where the obligation to disclose the takeover bid has occurred as a result of the establishment of the acting in concert relationship by an agreement, referred to in paragraph 1, Article 5 of this Act, or where one of the persons acting in concert has acquired shares, which results in a takeover bid disclosure requirement, any of these persons shall be obliged to announce the

takeover bid in a manner and under the conditions determined by this Act. The takeover bid disclosure requirement shall be deemed met, if the takeover bid is announced by any of the persons acting in concert.

- (4) In the case referred to in paragraph 3 of this Article, the offeree company may not be the offeror.

Article 7

Persons acting in concert shall be jointly and severally liable for the fulfilment of all the obligations prescribed by this Act.

CALCULATION OF THE NUMBER AND PERCENTAGE OF VOTING RIGHTS

Article 8

- (1) For the purpose of this Act, when calculating the number of voting shares of the offeree company, held by the offeror and the persons acting in concert with him, the following voting shares of the offeree company shall be taken into account:

1. those acquired by these persons,
2. those transferred by these persons to a third party as a collateral, unless that party is authorised to exercise the voting right arising from these shares independently of the instructions of these persons,
3. those with respect to which these persons have a right of usufruct,
4. those that can be acquired by the offeror by virtue of an expression of will, e.g. call option,
5. those entrusted to these persons, if they may exercise independently the voting rights arising from those shares, according to their own judgement, without a special instruction of the shareholders.

- (2) For the purpose of this Act, the percentage of voting shares of the offeree company shall be calculated relative to all the shares of the offeree company issued with a voting right, including own shares of the offeree company and shares with respect to which exercising of voting rights is prohibited or restricted by law or a legal transaction.

- (3) For the purpose of item 1, paragraph 1 of this Article, the offeror and the persons acting in concert with him shall be deemed to have acquired voting shares when they have already concluded a legal transaction or upon the occurrence of another legal basis for the transfer of shares, regardless of the transfer of shares and registration with the depository or share register of the offeree company and regardless of the fact that a legal transaction has been concluded under a suspensive condition. The offeror and the persons acting in concert with him shall be deemed, under the same conditions, to have acquired voting shares, even where, instead of shares, they have acquired receipts representing ownership of a certain number of shares of the offeree company and traded on the stock exchange, e.g. global depository receipts.

When acquiring these receipts, the provision of item 4, paragraph 1 of this Article shall apply as appropriately.

MANDATORY TAKEOVER BID

Article 9

- (1) Natural or legal persons shall be obliged to announce a takeover bid, where they have, directly or indirectly, independently or acting in concert, acquired voting shares of the offeree company, which, together with the shares they already possess, exceed a threshold of 25% of voting shares of the offeree company (control threshold).
- (2) After they have exceeded a control threshold and announced a takeover bid, natural or legal persons shall be obliged to disclose a takeover bid, where they have increased, independently or acting in concert, through a direct or indirect acquisition of voting shares of the offeree company, the percentage of voting rights by more than 10% (additional threshold).
- (3) Notwithstanding the provision of paragraph 2 of this Article, a takeover bid shall also be announced by natural or legal persons, who have increased, after the takeover bid, independently or acting in concert, through a direct or indirect acquisition of voting shares of the offeree company, the percentage of voting shares by less than 10%, if as a result of this acquisition, a threshold of 75% of voting rights is exceeded (final threshold).
- (4) In the case of a further acquisition of voting shares of the offeree company, the takeover bid need not be announced by a natural or legal person who
 1. has announced a takeover bid pursuant to the provision of paragraph 2 of this Article,
 2. has acquired, after the takeover bid has been announced pursuant to the provision of paragraph 1 and/or 2 of this Article, a minimum of 75% of voting rights,
 3. has announced a takeover bid pursuant to the provision of Article 14, paragraph 3 of this Act.
- (5) A natural or legal person for whom, pursuant to the provisions of this Article, an obligation has been incurred to announce the takeover bid, shall be obliged to notify immediately the Agency, offeree company, the stock exchange and the regulated public market on which shares of the offeree company are admitted to trading of the obligation incurred, and shall publish the same with no delay.
- (6) Indirect acquisition of voting shares, for the purpose of this Article, shall imply acquisition of control, in terms of paragraph 4, Article 5 of this Act.

VOLUNTARY TAKEOVER BID
Article 10

- (1) A person who is not obliged to announce a takeover bid, in accordance with the provisions of this Act, and who intends to perform a takeover, may announce the takeover bid only under the conditions and in the manner determined by this Act.
- (2) In the case referred to in paragraph 1 of this Article, a person who intends to perform a takeover shall be obliged to notify immediately the Agency, offeree company, the stock exchange and the regulated public market on which shares of the offeree company are admitted to trading of the intention to announce a takeover bid, and shall publish the same with no delay.
- (3) Upon the publication of the notification referred to in paragraph 2 of this Article, the obligation to announce a takeover bid shall be incurred for the person who intends to perform a takeover, under the conditions and in the manner determined by this Act.
- (4) The obligation to announce a takeover bid shall also be incurred where an offeror has published a notification which does not contain the particulars referred to in items 1, 2, 3 and 4, paragraph 1, Article 22 of this Act and/or has published it in some other manner, and the published notification indicates that the offeror intends, independently or acting in concert, to perform a takeover of the offeree company.
- (5) In the case of competing bids, any acquisition of voting shares of the offeree company by the prospective competing offeror shall be null and void as of the time of announcement of the takeover intention by the first offeror.

NOTIFICATION OF THE ANNOUNCEMENT OF A TAKEOVER BID
Article 11

- (1) Notifications referred to in paragraph 5, Article 9 and paragraph 2, Article 10 of this Act shall contain the particulars referred to in items 1, 2, 3 and 4, paragraph 1, Article 22 of this Act, as well as the offeror's statement that he shall announce a takeover bid within the time limit prescribed by the Act.
- (2) The management of the stock exchange and the regulated public market on which shares of the offeree company are admitted to trading may use the received notifications, referred to in paragraph 1 of this Article, prior to the announcement, only for the purpose of deciding whether the trading in the shares of the offeree company should be suspended.
- (3) The offeree company shall immediately notify the Agency of the receipt and the content of the received notification, referred to in paragraph 1 of this Article, and of all the procedures or negotiations with the offeror or the

persons acting in concert with him, or of the fact that such procedures or negotiations are not underway.

- (4) The offeree company shall immediately notify the representatives of the employees, or where there are no such representatives, the employees themselves, of the content of the received notification, referred to in paragraph 1 of this Article.

STATEMENT OF THE INTENTION TO ANNOUNCE A TAKEOVER BID

Article 12

- (1) The Agency may require from a natural and/or legal person an explicit statement of takeover intention, if the capital market situation indicates a possible takeover, and especially when:
 1. the circumstances indicate the existence of a takeover agreement, or
 2. the trading volume and share price of the offeree company on the stock exchange or on the regulated public market have been changed significantly, or
 3. a natural and/or legal person has expressed the intention to perform a takeover in some other manner, e.g. by public communication.
- (2) The statement, referred to in paragraph 1 of this Article, shall be delivered by the natural and/or legal person to the Agency with no delay.
- (3) In the case referred to in paragraph 1 of this Article, the Agency may require from the offeree company an explicit statement of whether it is acquainted with the takeover intention, which the latter shall immediately deliver to the Agency.
- (4) Upon the Agency's request, a natural and/or legal person and an offeree company shall be obliged to announce and deliver to the stock exchange and to the regulated public market on which shares of the offeree company are admitted to trading the statement which they have delivered to the Agency.

PROHIBITION AGAINST CIRCUMVENTING THE TAKEOVER PROCEDURE AND EXCLUSION OF VOTING RIGHTS

Article 13

- (1) A bid or a general bid made to the shareholders of the offeree company with a view to acquire the shares carrying voting rights shall not be permitted if such acquisition creates the obligation to announce a takeover bid.
- (2) A public or any other invitation to bid addressed to the shareholders of the offeree company with a view to acquire the shares carrying voting rights shall not be permitted if such acquisition creates the obligation to announce a takeover bid.

(3) The offeror and persons acting in concert with the offeror may not exercise the voting rights attached to all the acquired shares of the offeree company in the following cases:

1. where, after the obligation to announce a takeover bid has been created, they have failed, within the legally prescribed time limit, to submit an application for the approval of the announcement of the takeover bid, as of the date of such failure until the date of meeting this obligation,
2. where the Agency has rejected or dismissed the application for the approval of the announcement of the takeover bid, as of the date of finality of the decision rejecting or dismissing the same application until the date of finality of the decision by virtue of which the Agency approves the announcement of the takeover bid,
3. where they have failed, after the Agency has approved the announcement of the takeover bid, to announce the same within the legally prescribed time limit, as of the date of such failure until the date of meeting this obligation.

EXEMPTIONS FROM THE OBLIGATION TO ANNOUNCE A TAKEOVER BID

Article 14

(1) The acquirer shall not be obliged to announce a takeover bid if:

1. he acquires the shares of the offeree company by inheritance,
2. he acquires the shares of the offeree company by a division of marital property,
3. he acquires the shares of the offeree company in the equity capital increase procedure, by issuing shares, and the general meeting of the offeree company, at which the decision is adopted on the increase in equity capital, has approved that the acquirer may acquire voting shares of the offeree company without the obligation to announce a takeover bid, if such acquisition of voting shares would create an obligation for an acquirer to announce a takeover bid,
4. he acquires the shares of the offeree company which is a bankruptcy debtor in the bankruptcy proceedings,
5. he acquires the shares of the offeree company through a merger of companies, but exclusively in the case where only one of the companies involved in such merger holds the shares of the offeree company,
6. he acquires the shares of the offeree company through a change of the company's legal form,
7. a legal person acquires the shares of the offeree company from another legal person whose members or shareholders are, either directly or indirectly, the same persons, or if it acquires the shares through a transfer due to a restructuring within the group,
8. he acquires the shares of the offeree company in exchange for the dividend payments and the general meeting of the offeree company has approved that the acquirer may acquire voting shares of the offeree company without the obligation to announce a takeover bid, if such

- acquisition of voting shares would create an obligation for the acquirer to announce a takeover bid,
9. following the completion of the takeover bid, he acquires the shares of the offeree company through a transfer between persons who acted in concert in the takeover bid,
 10. by the acquisition of shares of the offeree company, he holds a percentage of voting shares equal to or less than the percentage of voting shares held by another shareholder of the offeree company, who has announced a takeover bid,
 11. as a credit institution, it disposes of the shares, within 6 months from the date when it became a rightful owner of the shares it acquired as a fiduciary creditor,
 12. as creditors, they acquire shares of the companies undergoing rehabilitation, in accordance with the Act on Rehabilitation of Certain Types of Companies,
 13. this is prescribed by a special regulation.
- (2) The approval, referred to in items 3 and 8, paragraph 1 of this Article, shall be granted by the general meeting of the offeree company by a three-quarter majority of the votes present at the general meeting, excluding the votes of the acquirer and the persons acting in concert with the acquirer.
- (3) The persons, referred to in paragraph 1 of this Article, who are exempt from the obligation to announce a takeover bid shall be obliged, in the case of a further acquisition of shares of the offeree company, to announce the takeover bid in a manner and under the conditions determined by this Act.
- (4) The Republic of Croatia, the Croatian Privatisation Fund and the State Agency for Deposit Insurance and Bank Rehabilitation, as acquirers of the voting shares, shall not be obliged to announce a takeover bid if they notify, within 14 days after the obligation to announce a takeover bid has been created, the Agency and the offeree company of their intention to dispose of the shares in excess of the 25% threshold, provided that they dispose of such excess shares within 6 months.
- (5) Where the Croatian Privatisation Fund acquires shares of the offeree company, in accordance with the Privatisation Act, independently or acting in concert, it shall not be obliged to announce a takeover bid.

INSPECTION OF THE DEPOSITORY OR SHARE REGISTER

Article 15

When the offeror's obligation to announce a takeover bid has been created, the offeree company or the central depository agency shall, upon the offeror's request, provide for the inspection of the information concerning shareholders and shares of the offeree company, contained in the depository facility or in the share register.

PRICE IN THE TAKEOVER BID

Article 16

- (1) The offeror and the persons acting in concert with the offeror shall offer equal price, i.e. equal number of substitute shares, for all the shares of the same class.
- (2) The price in the takeover bid may not be lower than the highest price at which the offeror and the persons acting in concert with him have acquired the voting shares in the period of one year before the obligation was created.
- (3) If the average price of shares realised on the stock exchanges and regulated public markets is higher than the price referred to in paragraph 2 of this Article, the offeror shall offer a higher price, calculating the average price for every individual stock exchange or regulated public market, as a weighted average of all the prices realised on the stock exchange or regulated public market in the course of three months before the obligation to announce a takeover bid was created.
- (4) If the offeror and the persons acting in concert with the offeror have not acquired voting shares in the period of one year before the creation of the obligation, the price in the bid may not be lower than the average price realised on the stock exchanges or regulated public markets.
- (5) If the offeror and/or a person acting in concert with the offeror, contrary to the provision of Article 40 of this Act, acquires or disposes of the shares of the offeree company at a price higher than the price referred to in paragraphs 2, 3 and 4 of this Article, he shall be obliged to offer a higher price in the takeover bid.
- (6) If the offeror fails to submit the application for the approval of the announcement of a takeover bid within the time limit, referred to in paragraph 1, Article 24 of this Act, the average price, referred to in paragraph 3 of this Article, shall be calculated as a weighted average of all the prices realised on the stock exchange or regulated public market for each following quarter separately, starting from the quarter preceding the date the obligation to announce the takeover bid was created until the date of submitting the application, and the offeror shall be obliged to offer in the takeover bid at least the highest average quarterly price calculated for the aforementioned period, if this price is higher than the price referred to in paragraph 2 of this Article.
- (7) If the offeror or the person acting in concert with the offeror acquires the shares of the offeree company which were subject to a bid, within one year following the date of expiry of the period for acceptance of the bid, at a price higher than the one in the bid, he shall be obliged to compensate to the shareholders who have accepted the takeover bid for the price difference within 7 days from the acquisition date.
- (8) The obligation referred to in paragraph 7 of this Article shall not relate to acquisitions of shares in the case of status changes or increase in equity

capital of the offeree company or acquisition of shares of the offeree company in exchange for the dividend payment.

CONSIDERATION IN THE TAKEOVER BID

Article 17

- (1) The offeror may offer the following as a consideration for a takeover of shares subject to a takeover bid:
 - cash (cash consideration),
 - substitute shares (substitute consideration),
 - combination of cash and substitute shares, in which case the offeror may freely determine the ratio between cash and substitute shares (combined consideration).
- (2) Where an offeror offers a substitute or combined consideration for a takeover of shares that are subject to a takeover bid, he shall offer a cash consideration as an alternative.
- (3) The substitute shares shall at least be included in the same listing or listing of the equal degree of transparency as the shares subject to a takeover bid, they shall be of the same type and class as the shares subject to a takeover bid and they may not be encumbered.
- (4) The Agency shall prescribe by an ordinance the conditions under which an offeror may offer in a takeover bid a substitute or combined consideration.

SECURING THE CONSIDERATION

Article 18

- (1) Prior to submitting the application for the approval of the announcement of a takeover bid, an offeror shall secure the consideration for a takeover of all the shares that are subject to a takeover bid.
- (2) The provision of paragraph 1 of this Article shall apply in the case of adjusting the price in the bid upwards, as appropriately.

Article 19

- (1) For the purpose of securing a cash consideration, the offeror shall allocate the cash required for payment of all the shares subject to a takeover bid to a separate account held with the depository and/or shall deliver to the depository an irrevocable first-demand bank guarantee, issued in favour of the persons who will deposit their shares in the takeover bid, for the amount required for payment of all the shares subject to a takeover bid.

- (2) The validity period of the bank guarantee may not be less than 15 days following the last day of the time limit for payment of shares, referred to in paragraph 2, Article 37 of this Act.
- (3) The offeror, the person acting in concert with the offeror and the offeree company may not issue a bank guarantee, referred to in paragraph 1 of this Article.
- (4) The offeror may not dispose of the cash consideration which was allocated to the separate account with the depository, for the purpose of securing the payment of the deposited shares, except for the payment of deposited shares.
- (5) The Agency may prescribe additional conditions which a bank issuing the guarantee, referred to in paragraph 1 of this Article, must fulfil, as well as the content of the agreement on the bank guarantee.

Article 20

For the purpose of securing a substitute or combined consideration, an offeror shall be obliged to deposit substitute shares in a separate account with the depository.

SHARE DEPOSIT AGREEMENT

Article 21

- (1) Prior to submitting the application for the approval of the announcement of a takeover bid, an offeror shall conclude an agreement with the depository on depositing of shares that are subject to a takeover bid.
- (2) If, in a legal transaction, shares that are subject to a takeover bid are held in the electronic form with the central depository agency, the central depository agency shall be a depository.
- (3) If shares that are subject to a takeover bid do not exist in the electronic form with the central depository agency, the offeror shall conclude an agreement on share deposit with a bank which has its registered office in the Republic of Croatia, where a bank shall accept all the prescribed obligations and responsibilities of a depository towards an offeror and all the shareholders depositing their shares, so that the shareholder, based on such an agreement, may file a claim for damage compensation with the bank.
- (4) The offeror and the depository shall be jointly and severally liable for the damage suffered by a shareholder in relation to the share depositing.
- (5) When concluding an agreement, referred to in paragraph 1 of this Article, the offeror shall provide the depository with all the information required for preparing and performing share depositing.

MANDATORY CONTENT OF A TAKEOVER BID
Article 22

(1) A takeover bid shall contain all the information necessary to enable the shareholders to reach a decision on the acceptance of the bid, and in particular:

1. name, registered office and business address of the offeree company, the amount of subscribed equity capital, and data concerning the type, class and number of shares (in the absolute and relative amount) constituting equity capital of the offeree company,
2. name, legal form, registered office and business address, or first and last name and address of the offeror,
3. name, legal form, registered office and business address, or first and last name and address of the persons acting in concert with the offeror, as well as a description of their joint activities,
4. data on the type, class and number (in the absolute and relative amount) of shares and votes of the offeree company, held by the offeror and persons acting in concert with him,
5. data on the type and class of shares that are subject to a takeover bid,
6. percentage of shares, representing the condition referred to in paragraph 2, item 2, Article 23 of this Act, if the takeover bid is subject to conditions,
7. an unambiguous statement that the bid has been made to all shareholders of the offeree company for the acquisition of all the shares that are subject to a bid, under the prescribed and disclosed conditions,
8. the price per share that the offeror undertakes to pay and the method of determining the price,
9. where a bid includes a substitute or combined consideration, data on the substitute shares and rights attached to them, price of substitute shares, terms and conditions for substitution and on the issuer of substitute shares,
10. source and method of securing consideration for payment of shares that are subject to a takeover bid,
11. deadline for payment,
12. period for acceptance of a bid,
13. name, registered office and business address of a depository,
14. instructions on the method and effects of share depositing and other rights and obligations of shareholders depositing shares, and particularly on the right of shareholders to withdraw the shares from the depository facility and waive the acceptance of the takeover bid,
15. the offeror's intention with regard to the future business of the offeree company and, in so far as it is affected by the takeover bid, the offeror company; the offeror's strategic plans for the offeree company and possible repercussions of the implementation of these plans on the employment policy and the labour law status of employees of the offeree company and offeror company, as well as on possible changes in the locations of the offeree and offeror companies' places of business; the offeror's intention with regard to the management board of the offeree

company and particulars of cash and non-cash consideration and other benefits granted or likely to be granted to the members of management and supervisory board of the offeree company,

16. the amount of indemnification for restrictions and/or abolishing of shareholders' rights as a consequence of the restriction rules, referred to in Article 44 of this Act, if the same is applicable, and particulars of the mode of payment and the method used to determine indemnification,
17. indication of the country whose law shall be applicable to the contractual relations between the offeror and the persons who have accepted the takeover bid and the indication of the competent court,
18. other terms and conditions of the takeover bid, determined by the regulations adopted pursuant to this Act.

(2) The Agency may request from the offeror to supplement the data contained in the takeover bid.

(3) The original of the following documents or a copy certified by a notary public shall be enclosed with the takeover bid, which the offeror delivers to the Agency:

1. documents on the legal transactions on the basis of which the offeror and persons acting in concert with him have acquired shares of the offeree company in a period of one year prior to the creation of the obligation to announce a takeover bid, and in the case of acquisition and disposal of shares contrary to the provision of Article 40 of this Act, the documents on these legal transactions as well,
2. statement of the offeror and of the persons acting in concert with the offeror that, in addition to the legal transactions referred to in item 1 of this paragraph, they have not concluded any other legal transactions aimed at the acquisition of shares of the offeree company,
3. depository's receipt of the secured consideration for a takeover of all the shares subject to a takeover bid,
4. stock exchange or regulated public market receipt, issued at the request of the offeror, of the average price, referred to in paragraphs 3 and 6, Article 16 of this Act,
5. agreement on share deposit concluded with a depository,
6. prior approval of the Croatian National Bank, if bank shares are the subject of a takeover, i.e. prior approval of another competent institution in other cases, as provided for by the law,
7. court register certificates, or certificates issued by another appropriate register, indicating the legal form, registered office, business address, list of persons authorised for representation, issued no later than 30 days prior to the submission of the application, translated into the Croatian language by a certified court interpreter, if the offeror and the person acting in concert with him is a legal persons with a registered office abroad,
8. statement appointing a proxy (name, registered office, business address, i.e. first and last name and address) for receiving documents in the Republic of Croatia, if a legal or natural person has a registered office, temporary residence or permanent residence abroad,

9. other documents upon the Agency's request,
 10. proof of payment of administrative fee and tax.
- (4) If the documents enclosed with the takeover bid are written in a foreign language, their translation into the Croatian language by a certified court interpreter shall also be delivered.

TAKEOVER BID CONDITIONS

Article 23

- (1) The offeror may not impose any conditions whatsoever on the obligation to purchase the shares that are subject to a takeover bid.
- (2) By way of derogation from the provision of paragraph 1 of this Article:
1. the offeror may state in a takeover bid that encumbered shares are not the subject of the takeover bid,
 2. the offeror may impose a condition on a voluntary takeover bid that a certain performance threshold must be reached, which may not be below the control threshold. If the total percentage of deposited voting shares, together with the total percentage of voting shares which an offeror already holds, in terms of Article 8 of this Act, in the takeover bid, does not exceed the performance threshold, the offeror may not take over the deposited shares. If the deposited shares exceed the performance threshold, the offeror shall be obliged to take over all the deposited shares, under the disclosed and prescribed conditions.

DECIDING ON THE APPLICATION FOR THE APPROVAL OF THE ANNOUNCEMENT OF A TAKEOVER BID

Article 24

- (1) The offeror shall be obliged, within 30 days following the date the obligation to announce a takeover bid has been incurred, to submit to the Agency the application for the approval of the announcement of a takeover bid, a takeover bid and the documents referred to in paragraph 3, Article 22 of this Act.
- (2) For the purpose of determining all the facts and circumstances relevant for decision making, the Agency may request from the offeror additional documentation.
- (3) The Agency shall issue a decision on the application of the offeror, referred to in paragraph 1 of this Article, within 14 days following the date of receipt of the duly submitted application.

- (4) For the purpose of this Act, the offeror's application shall be considered duly submitted, if the Agency has established:
1. that the offeror has submitted the takeover bid, all the documents, referred to in paragraph 3, Article 22 of this Act and the additional documentation at the request of the Agency,
 2. completeness and truthfulness of data contained in the takeover bid and documents enclosed with the application for the approval of the announcement of a takeover bid, in accordance with paragraphs 1 and 3, Article 22 of this Act,
 3. that the price in the takeover bid is determined in accordance with the provisions of this Act

Article 25

- (1) When the offeror's application is incomplete or incomprehensible, or the takeover bid and all the documents, referred to in paragraph 3, Article 22 of this Act, are not submitted, the Agency shall require from the offeror to modify the application and to deliver the missing documents, and shall set the deadline within which this should be done.
- (2) If the offeror fails to act, within the afforded deadline, according to the Agency's request, referred to in paragraph 1 of this Article, the application shall be considered not to have been submitted and the Agency shall issue a conclusion rejecting the offeror's application.

RESPONSIBILITY FOR ACCURACY AND TRUTHFULNESS OF DATA IN A TAKEOVER BID

Article 26

- (1) The Agency shall not be responsible for accuracy and truthfulness of data stated in the takeover bid.
- (2) If there are data missing in the takeover bid which could affect the decision on the acceptance of the takeover bid, or if false and incorrect data are indicated in the takeover bid, all the persons who participated in drawing and preparing the takeover bid shall be jointly and severally liable to shareholders for a possible damage inflicted.

ANNOUNCEMENT OF A TAKEOVER BID

Article 27

- (1) The offeror shall announce a takeover bid within 7 days following the date of receipt of the decision, referred to in paragraph 3, Article 24 of this Act.
- (2) The takeover bid announced after the expiry of the time limit referred to in paragraph 1 of this Article shall be valid.

- (3) The offeror shall deliver the takeover bid and the revised takeover bid, immediately, upon the receipt of the Agency's decision referred to in paragraph 3, Article 24 and paragraph 2, Article 29 of this Act, to the offeree company, the stock exchange and the regulated public market on which shares of the offeree company are admitted to trading and to the depository.
- (4) Immediately after the announcement of the takeover bid, the offeree company shall notify each shareholder of the content of the takeover bid. The offeree company shall provide, upon the shareholder's request, all the information at its disposal concerning the takeover bid. The same shall apply to all the revised bids.

PERIOD FOR ACCEPTANCE OF A TAKEOVER BID

Article 28

- (1) The period for acceptance of a takeover bid shall be 28 days following the day of announcement. The period for acceptance of the takeover bid shall begin to run on the date of the later announcement.
- (2) The period, referred to in paragraph 1 of this Article, shall be extended in the case of announcement of the revised takeover bid or announcement of the competing bid.
- (3) In the case of announcement of the revised takeover bid, the period for acceptance of the takeover bid shall be extended by 7 days.
- (4) The final deadline for the acceptance of the takeover bid and competing bid may not exceed 60 days following the date of announcement of the first takeover bid.

REVISION OF A TAKEOVER BID

Article 29

- (1) The revision of a takeover bid may be announced no later than 10 days prior to the expiry of the period for acceptance of a takeover bid.
- (2) The Agency shall issue a decision on the application of the offeror for the approval of the announcement of the revised takeover bid within 3 days following the date of receipt of a duly submitted application.
- (3) The offeror may revise the takeover bid by increasing the offered price and/or by offering a larger number of substitute shares. In the case of price increase, the offeror shall increase the offered price by minimum 2%.
- (4) Prior to the expiry of the time limit, referred to in paragraph 1 of this Article, the offeror shall meet the following conditions:

1. obtain a decision by the Agency on the approval of the announcement of the revised takeover bid,
 2. announce a revision of the takeover bid,
 3. notify the depository of a revision of the takeover bid,
 4. provide the difference in consideration for payment of shares that are subject to the takeover bid.
- (5) If the offeror has revised the takeover bid in accordance with the provisions of this Act, the shareholders that have accepted the takeover bid shall be considered to have accepted the revision of the takeover bid as well.

COMPETING BID

Article 30

- (1) A competing bid shall be a takeover bid which, in accordance with the provisions of this Act, may be announced by a third party only in the course of the period for acceptance of the takeover bid and which relates to the same shares of the offeree company as the takeover bid.
- (2) A competing takeover bid may be announced no later than 10 days prior to the expiry of the period for acceptance of a takeover bid and no later than 28 days prior to the expiry of the final deadline of 60 days, referred to in paragraph 4, Article 28 of this Act.
- (3) In the case of announcement of the competing bid, the period for acceptance of the takeover bid shall be extended until the expiry of the period for acceptance of the competing bid. The offeror shall immediately notify the offeree company, the stock exchange and the regulated public market on which shares of the offeree company are admitted to trading and the depository of the extension of the period for acceptance of the takeover bid and shall publish the same notification with no delay.
- (4) The provisions of the Act relating to a takeover bid shall apply to the competing bid as appropriately.

Article 31

- (1) The competing bid may only be announced at a price higher than the price stated in the takeover bid, whereby the provision of paragraph 3, Article 29 of this Act shall apply as appropriately.
- (2) The competing bid may be conditional upon reaching a certain performance threshold, only if a performance threshold is determined in the takeover bid and if the same has not been reached by the time of announcement of the competing bid.
- (3) The performance threshold in the competing bid may not be higher than the performance threshold contained in the takeover bid.

Article 32

The Agency shall reject the application for the approval of the announcement of the competing bid if it has established that it is of a speculative nature or that it is aimed at a change in the price of shares that are subject to a takeover bid.

WITHDRAWAL OF A TAKEOVER BID

Article 33

- (1) The offeror may withdraw the takeover bid in the case of:
 1. announcement of the competing bid at a higher price,
 2. bankruptcy of the offeree company.
- (2) The provisions of paragraph 1 of this Article shall apply to the withdrawal of the competing bid as appropriately.
- (3) The offeror shall immediately notify the Agency, the stock exchange and the regulated public market on which the shares of the offeree company are admitted to trading, the offeree company and the depository of the withdrawal of the takeover bid.
- (4) The offeror shall announce the withdrawal of the takeover bid no later than 7 days prior to the expiry of the period for acceptance of the takeover bid.
- (5) The withdrawal of the takeover bid shall have legal effects as of the date of its announcement.

DEPOSIT OF SHARES

Article 34

- (1) Shares that are in a legal transaction held in the electronic form with the central depository agency shall be deposited by a transfer from a shareholder's account to a separate account, opened for the deposit of shares for the purpose of accepting the takeover bid, from which account the shares are transferred to the shareholder's account in the case of their withdrawal from the depository facility.
- (2) The shares referred to in paragraph 1 of this Article shall be deposited by submitting or delivering a written order for the acceptance/withdrawal of the takeover bid to the central depository agency which, besides the information on the takeover bid, shareholder and deposited shares, contains the authorisation granted to the depository to send, in the name and for the account of the shareholder, a written invitation to the guarantor to effect the payment against the issued bank guarantee, as well as the shareholder's signature.

- (3) The shareholder may withdraw the deposited shares from the depository facility until the expiry of the period for acceptance of the takeover bid. The withdrawal of shares from depository facility shall have the effect of waiving the acceptance of the takeover bid or cancelling the agreement.
- (4) The shareholder may not waive the right to withdraw the shares form depository facility. The offeror may not refer to the statement of the shareholder on waiving the right to withdraw shares from depository facility.

Article 35

- (1) The shares that do not exist in the electronic form with the central depository agency shall be deposited by the shareholder to the bank by submitting or delivering a statement on the deposit of shares and share certificates or other documents evidencing his status of a shareholder.
- (2) The statement on the deposit of shares shall contain personal information on the shareholder, information on the takeover bid to which the deposit refers, information on deposited shares, the shareholder's statement that he accepts the takeover bid and deposits the shares for their transfer to the offeror and an authorisation to the bank to send, in the name and for the account of the shareholder, a written invitation to the guarantor to effect the payment against the issued bank guarantee, as well as the shareholder's signature.
- (3) The bank shall accept the shares for deposit and shall issue a deposit receipt to the shareholder, which contains the information on deposited shares, the offeror and the takeover bid to which the deposit refers.
- (4) The shareholder may withdraw deposited shares from the depository facility by returning the deposit receipt to the bank whereby he shall put a written and signed statement on the withdrawal of deposited shares from the depository facility.
- (5) The bank shall return the deposited documents to the shareholder and shall issue, upon his request, a receipt on the withdrawal of the shares from the depository facility.
- (6) The delivery of the shareholder's written request to the bank for the withdrawal of the shares from the depository facility shall also have the effect of withdrawal from the depository facility if the bank has not yet sent a deposit receipt to the shareholder.
- (7) The bank shall immediately notify the offeree company of any share deposit or withdrawal from the depository facility. The offeree company shall register the share deposit or withdrawal from depository facility in the share register with no delay.

Article 36

- (1) In the case of share deposit, the shareholders that deposit unpaid shares with respect to the Croatian Privatisation Fund shall enclose a certificate by the Croatian Privatisation Fund stating the number of paid and unpaid shares and the calculation of an early, one-off payment of the remaining instalments.
- (2) Unpaid shares, referred to in paragraph 1 of this Article, may not be the subject of the deposit, if the remaining instalments for such shares, as calculated by the Croatian Privatisation Fund, exceed the price determined by the offeror in the takeover bid.

PAYMENT AND TRANSFER OF SHARES ON THE BASIS OF THE TAKEOVER BID

Article 37

- (1) If the shareholder has deposited the shares in accordance with the conditions set out in the takeover bid, the acceptance of the takeover bid and the offeror's payment obligation shall become effective after the expiry of the period for acceptance of the takeover bid, except in the cases set out in item 2, paragraph 2, Article 23 and Article 33 of this Act.
- (2) The deadline for payment of the deposited shares shall be 14 days following the date of expiry of the period for acceptance of the takeover bid.
- (3) After the payment of deposited shares, the depository shall return to the offeror any surplus of cash, bank guarantee or substitute shares.

COSTS

Article 38

The offeror shall bear all the costs of share deposit, shall pay the share price, shall bear all the costs of share transfer, as well as all other costs arising from the takeover bid.

TAKEOVER REPORT

Article 39

- (1) After the expiry of the deadline for payment of shares that are subject to a takeover bid, the offeror shall immediately deliver the takeover report to the Agency, the offeree company, the stock exchange and the regulated public market on which shares of the offeree company are admitted to trading and shall publish it within 7 days.
- (2) The takeover report shall contain the following information:
 1. name, legal form, registered office and business address, i.e. first and last name and address of the offeror,

2. name, legal form, registered office and business address, i.e. first and last name and address of the persons acting in concert with the offeror,
 3. name, registered office and business address of the offeree company,
 4. number of shareholders who have accepted the takeover bid,
 5. number of deposited shares which the offeror has paid and took over (in the absolute and relative amount),
 6. number of shares whose depositing and withdrawal from depository facility are questionable,
 7. number and percentage of shares of the offeree company which the offeror and persons acting in concert with him hold, individually and collectively, after the takeover bid.
- (3) If a condition is imposed on a takeover bid, in accordance with the provision of item 2, paragraph 2, Article 23 of this Act and if an insufficient number of shares has been deposited in the bid, the depository shall immediately notify of this fact and of the total number of deposited shares every shareholder who deposited the shares, the Agency, the offeree company and the offeror.
- (4) The offeror shall publish a notice on the failure of the takeover bid within 7 days after the date of receipt of the notification referred to in paragraph 3 of this Article.

PROHIBITION AGAINST ACQUISITION AND DISPOSAL OF VOTING SHARES

Article 40

- (1) As of the time of conclusion of a legal transaction of acquisition of shares of the offeree company, which creates an obligation to announce a takeover bid, until the expiry of the period for acceptance of the bid, the offeror and the persons acting in concert with the offeror may neither acquire the shares that are subject to a takeover bid, nor undertake to acquire such shares in any other way than on the basis of a takeover bid.
- (2) As of the time of conclusion of a legal transaction of acquisition of shares of the offeree company, which creates an obligation to announce a takeover bid, until the expiry of the period for acceptance of the bid, the offeror and the persons acting in concert with the offeror may neither dispose of nor undertake to dispose of the shares that are subject to a takeover bid.
- (3) The provisions of paragraphs 1 and 2 of this Article shall apply in the case of announcement of the intention of publishing a voluntary takeover bid, as appropriately.

OPINION OF THE MANAGEMENT BOARD OF THE OFFEREE COMPANY
Article 41

- (1) Within 7 days after the announcement of the takeover bid, the management board of the offeree company shall disclose a substantiated opinion on the takeover bid, which shall contain:
1. the opinion on the type and amount of the offered consideration,
 2. the opinion on the offeror's intention with regard to the future business of the offeree company,
 3. the opinion on strategic plans of the offeror with regard to the offeree company and possible repercussions of the implementation of these plans on the employment policy and the labour law status of employees of the offeree company, as well as on possible changes in the locations of the company's places of business,
 4. statements of the management board members on their intention to accept or reject the takeover bid,
 5. statement of the management board members concerning the possible existence of their agreement with the offeror in relation to the takeover bid, and if there is one, the content of such an agreement.
- (2) Prior to the disclosure of the opinion referred to in paragraph 1 of this Article, the management board of the offeree company shall present that opinion, within 5 days from the day of announcement of the takeover bid, to the representatives of the employees, or where there are no such representatives, the employees themselves, who, within 3 days from the day of the presentation, may give their opinion on the takeover bid.
- (3) If the management board of the offeree company, within the time limit referred to in paragraph 2 of this Article, receives the opinion of the representatives of employees on the takeover bid by the date of disclosure of the opinion, it shall enclose it with its own opinion at disclosure.
- (4) Provided that the opinion on the takeover bid or the opinion of the employees contains false or misleading information, the persons who have prepared or participated in the preparation of the opinion shall be jointly and severally liable to the shareholders for the damage, if they were aware or should have been aware that the information was false or misleading.
- (5) The management board of the offeree company shall deliver the opinion on the takeover bid to the Agency, the stock exchange and the regulated public market on which shares of the offeree company are admitted to trading, no later than on the same day when it gives publication orders to the publishers.

**RESTRICTIONS ON THE ACTIONS OF THE MANAGEMENT BOARD AND
SUPERVISORY BOARD OF THE OFFEREE COMPANY**
Article 42

- (1) As of the date of receipt of the notification, referred to in paragraph 5, Article 9 and paragraph 2, Article 10 of this Act, i.e. of the date of announcement of the same, if the management board has not received the aforementioned notifications until the date of publication of the takeover report, the management and supervisory board of the offeree company may not, without the approval of the general meeting of the offeree company:
1. increase equity capital,
 2. enter into transactions outside the regular business operations of the offeree company,
 3. act in a manner that could seriously threaten further operations of the offeree company or enter into transactions that could seriously threaten further operations of the offeree company ,
 4. decide on the acquisition and disposal of own shares of the offeree company or securities conferring rights to these shares,
 5. act in a manner which might result in an impediment to or frustration of the takeover bid.
- (2) The decisions of the management or supervisory board, referred to in paragraph 1 of this Article, which were adopted prior to the date of receipt of the notification, referred to in paragraph 5, Article 9 and paragraph 2, Article 10 of this Act or announcement of the same, but which have not been implemented in entirety, must be granted an additional approval by the general meeting of the offeree company prior to their implementation, unless these decisions relate to the regular business operations of the offeree company and their implementation could not impede or frustrate the takeover bid.
- (3) Notwithstanding the time limits for convening the general meeting of the offeree company, determined by the Companies Act, the general meeting of the offeree company at which decisions shall be made on the actions, referred to in paragraphs 1 or 2 of this Article, may be convened no later than 14 days prior to the session of the general meeting.
- (4) When convening the general meeting at which decisions shall be made on the actions, referred to in paragraphs 1 or 2 of this Article, the offeree company may freely choose the venue of the general meeting, whereby it shall not be obliged to act in accordance with the provision of paragraph 4, Article 277 of the Companies Act and possible different provisions of the articles of associations. If the time limit for convening the general meeting is shorter than a one-month period, referred to in paragraph 1, Article 279 of the Companies Act, the deadline for share deposit and registration of participation, in accordance with Article 279 of the Companies Act, shall be 4 days. A company should facilitate the issuance of proxies to vote for shareholders, if this is possible under the law and articles of association. The announcements to shareholders, the report, referred to in the second sentence, paragraph 5, Article 308 of the Companies Act and shareholders' proposals submitted in a

timely manner shall be available and their summary shall be disclosed to all the shareholders. The announcements need not be sent if the management board, with the consent of the supervisory board, holds that they are not likely to be delivered to the shareholders in a timely manner. As regards the proposals subject to voting, the provision of the second sentence, paragraph 2, Article 284 of the Companies Act shall apply to bearer shares, as appropriately.

- (5) The decision of the general meeting on granting of the approval, referred to in paragraphs 1 and 2 of this Article, shall be adopted by the vote representing at least three-quarters of the equity capital represented at the general meeting when adopting the decision.
- (6) All the decisions of the management and supervisory board of the offeree company, adopted contrary to the provisions of the aforementioned paragraphs of this Article, shall be null and void.
- (7) Seeking other offerors shall not be considered as an action referred to in paragraph 1 of this Article.

BREAK-THROUGH RULE

Article 43

- (1) The general meeting of the offeree company may, by amending the articles of association, decide that all the provisions of Article 44 of this Act shall apply to the company.
- (2) The management board of the offeree company shall immediately notify the Agency and the supervisory authorities of the Member States in which the shares of the offeree company are admitted to trading on a regulated market of the fact that the offeree company has adopted or deleted a provision of the articles of association, in accordance with paragraph 1 of this Article.
- (3) The provisions of paragraphs 3, 4 and 5 of Article 42 of this Act shall apply as appropriately to the convening and holding of the general meeting, referred to in paragraph 4, Article 44 of this Act.

Article 44

- (1) The provisions of this Article shall be effective upon the announcement of a takeover bid, provided that the general meeting of the offeree company has incorporated them into the company's articles of association.
- (2) During the period for acceptance of the takeover bid, the restrictions on the transfer of shares of the offeree company to the offeror shall not have effect, which are determined by:
 1. the articles of association of the offeree company,

2. an agreement between the offeree company and shareholders of the offeree company,
 3. an agreement between shareholders of the offeree company.
- (3) At the general meeting of the offeree company at which decisions are adopted on the actions referred to in paragraphs 1 and 2 of Article 42 of this Act, the restrictions on voting rights shall not have effect, which are determined by:
1. the articles of association of the offeree company,
 2. an agreement between the offeree company and shareholders of the offeree company,
 3. an agreement between shareholders of the offeree company.
- (4) Where, after the takeover bid, the offeror holds 75% of voting shares of the offeree company, the following shall apply at the first general meeting convened at the request of the offeror for the purpose of amending the articles of association and/or appointing and/or removing from office members of the supervisory board:
1. any restrictions on the transfer of shares and restrictions on voting rights determined by the articles of association of the offeree company, an agreement between the offeree company and shareholders of the offeree company and an agreement between shareholders of the offeree company shall not have effect,
 2. shareholders' special rights to appoint or remove from office members of the supervisory board, determined by the articles of association of the offeree company, shall not have effect,
 3. notwithstanding the time limits for convening the general meeting, determined by the Companies Act, the offeror shall have a right to request that the general meeting of the offeree company be convened no later than 14 days prior to the holding of the general meeting.
- (5) The provisions of this Article shall not apply to the restrictions on the transfer of shares and restrictions on voting rights determined by an agreement between the offeree company and shareholders of the offeree company and by an agreement between shareholders of the offeree company, provided that such restrictions were agreed or agreements concluded prior to the adoption of this Act.
- (6) If, pursuant to this Article, certain rights are forfeited, the offeror shall pay an appropriate indemnification in cash. A right to indemnification, under this paragraph, may be demanded in court only within two months since the rights were forfeited.

**RIGHT TO A TRANSFER OF SHARES OF MINORITY SHAREHOLDERS
(SQUEEZE-OUT RIGHT)
Article 45**

- (1) If, following the takeover bid, the offeror and the persons acting in concert with the offeror hold a minimum of 95% of voting shares of the offeree company, the offeror shall have a right to a transfer of voting shares of minority shareholders at a fair price, within 3 months after the expiry of the period for acceptance of the takeover bid.
- (2) Provided that preference shares carrying no voting rights were also subject to a takeover bid, and that, following the takeover bid, the offeror and the persons acting in concert with the offeror hold a minimum of 95% of such shares, the offeror shall also have a right to a transfer of such shares of minority shareholders at a fair price, within 3 months after the expiry of the period for acceptance of the takeover bid.
- (3) For the purpose of exercising the rights, referred to in paragraphs 1 and 2 of this Article, the offeror shall submit a request to the central depository agency.
- (4) The offeror shall, parallel to submitting the request, notify of the request the minority shareholders, the offeree company, the stock exchange and the regulated public market on which shares of the offeree company are admitted to trading and the Agency, and shall publish the same with no delay.
- (5) A fair price, referred to in paragraphs 1 and 2 of this Article, shall imply a price determined in a takeover bid, increased by a difference in price, in the case set out in paragraph 7, Article 16 of this Act.
- (6) For the purpose of securing the price, referred to in paragraph 5 of this Article, the offeror shall allocate cash to a separate account held with a depository or shall deliver to a depository an irrevocable first-demand bank guarantee issued in favour of minority shareholders, for the amount necessary for payment of all the shares of minority shareholders.
- (7) The central depository agency shall carry out a transfer of shares from the shareholders' account to the offeror's account and shall pay out the minority shareholders, with no delay, after it has established:
 1. that following a takeover bid, the offeror and the persons acting in concert with the offeror hold a minimum of 95% of voting shares of the offeree company and 95% of preference shares without voting rights, in the case of application of paragraph 2 of this Article,
 2. that the offeror has secured consideration, referred to in paragraph 5 of this Article, for the shares that are subject to the request,
 3. that a period of 3 months has not expired after the end of the period for acceptance of the takeover bid.
- (8) The offeror shall bear all the costs of transfer of shares of minority shareholders.

- (9) From the time of submitting the request until the time of completion of the transfer of shares of minority shareholders, the provisions of Articles 300.f to 300.k of the Companies Act shall not apply.

**RIGHT OF SALE OF SHARES OF MINORITY SHAREHOLDERS
(SELL-OUT RIGHT)**

Article 46

- (1) If, following the takeover bid, the offeror and the persons acting in concert with the offeror hold a minimum of 95% of voting shares of the offeree company, minority shareholders shall have a right to sell their voting shares to the offeror, within 3 months after the expiry of the period for acceptance of the takeover bid, and the offeror shall be obliged to buy these shares at a fair price.
- (2) Paragraphs 2, 3, 5, 6 and 7 of Article 45 of this Act shall apply as appropriately.
- (3) If the offeror fails to meet the obligation set out in paragraph 1 of this Article, the minority shareholders shall have a right to demand meeting of the obligation before a commercial court with territorial jurisdiction.

**AUTHORISATION OF THE AGENCY AND PERFORMANCE OF THE
SUPERVISORY PROCEDURE**

Article 47

- (1) The Agency shall supervise the application of the provisions of this Act.
- (2) When this is necessary for the purpose of supervision of the application of this Act, the Agency may require from the offeree company, shareholders of the offeree company, commercial banks, brokerage firms and other legal and natural persons for which the Agency deems that they may have knowledge of interest for supervision, to deliver documents, comments and statements considered necessary for the performance of supervision by the Agency.
- (3) The persons obliged to deliver documents, comments and statements, under paragraph 2 of this Article, shall allow access to business premises to the authorised persons of the Agency, after the latter have delivered to them a decision on the initiation of the supervisory procedure, and shall ensure the appropriate premises and staff, provide insight and deliver the requested documentation and documents, give statements and make comments, as well as ensure other conditions required for the performance of supervision.
- (4) Documentation and documents, which may serve as evidence in criminal or minor offence court proceedings, may be temporarily seized by the authorised persons of the Agency, subject to issuing a relevant certificate, but only prior

to the initiation of the these proceedings, when they shall deliver them to the body competent for conducting of the proceedings.

- (5) After the performed supervision, the authorised persons of the Agency shall prepare the supervision findings, which they shall deliver to the person referred to in paragraph 3 of this Article. The person referred to in paragraph 3 of this Article shall have a right to appeal against the supervision findings to the Agency within 8 days following the date of receipt of the findings.
- (6) If the documents, comments and statements that are delivered to the Agency are written in a foreign language, their translation into the Croatian language by a certified court interpreter shall also be delivered.

SUPERVISORY MEASURES

Article 48

- (1) Provided that irregularities and/or illegalities have been identified, the Agency shall instruct by a decision taking of actions which contribute to the establishment of legality, i.e. it shall impose a measure prescribed by this Act.
- (2) The Agency shall determine by its decision the time limit for submitting the evidence of the results of the actions taken.
- (3) Where irregularities and/or illegalities have been identified, the Agency shall:
 1. establish the existence of the obligation to announce a takeover bid and shall instruct taking of the actions for the purpose of announcing the takeover bid,
 2. instruct revision, supplementing or withdrawing of the takeover bid,
 3. request delivery or disclosure of additional data and/or information, comments, notifications or corrections concerning the takeover bid,
 4. declare the takeover bid invalid,
 5. instruct other measures necessary for the elimination of consequences of certain actions or failures to act,
 6. disclose all the measures taken and sanctions imposed with respect to the identified irregularities and/or illegalities.
- (4) The Agency shall communicate all the measures taken, as provided for in paragraph 3 of this Article, to the offeree company, to the shareholders through the offeree company, i.e. to the depository, stock exchange and regulated public market on which shares of the offeree company are admitted to trading.
- (5) If the offeror fails to act in accordance with the Agency's decision, referred to in paragraph 1 of this Article, the Agency may impose a new or the same measure by its new decision.

Article 49

Provided that the offeror has failed to announce the takeover bid, under the conditions and in a manner provided for in this Act, any shareholder of the offeree company may, through a commercial court with territorial jurisdiction, demand a mandatory conclusion of an agreement on shares sale, subject to the conditions according to which the takeover bid had to be announced.

Article 50

- (1) In the procedure before the Agency, the provisions of the General Administrative Procedure Act shall apply, unless otherwise provided for by this Act.
- (2) Deeds adopted by the Agency shall be final.
- (3) A dissatisfied party may initiate administrative dispute against the Agency's deeds.

COMMUNICATION AND DELIVERY

Article 51

Provided that, in accordance with the provisions of this Act, the Agency is obliged to communicate or deliver a certain decision to a person with a temporary residence or registered office abroad, it shall do so through a proxy of that person, who has a temporary residence or registered office in the Republic of Croatia. If a proxy has not been appointed, the decision shall be considered communicated and delivered by its publication in the Official Gazette.

LIABILITY FOR DAMAGE

Article 52

The management board members and employees of the Agency shall not be held liable for the damage that occurs in the course of performance of their duties under this Act, unless it has been proven that they acted or failed to act deliberately or out of gross negligence.

CO-OPERATION WITH OTHER SUPERVISORY AUTHORITIES

Article 53

- (1) The Agency and supervisory authorities of the Member States supervising the capital markets shall co-operate and exchange data, where this is required for the application of the provisions of this Act, or the appropriate legislation of the Member States, regulating the area of takeovers.
- (2) The Agency shall also co-operate with supervisory authorities of the non-Member States, under the conditions referred to in paragraph 1 of this Article.

COMPETENCE AND APPLICABLE LAW

Article 54

The Agency shall be competent for the implementation of the provisions of this Act in the entirety, in all the cases when the offeree company has a registered office in the Republic of Croatia.

Article 55

The Agency shall be competent for the supervision of a takeover of an offeree company:

1. which has its registered office in the Republic of Croatia and its shares are admitted to trading on a regulated market in the Republic of Croatia,
2. which has its registered office outside the Republic of Croatia, in a Member State, and its shares are admitted to trading only on a regulated market in the Republic of Croatia,
3. which has its registered office outside the Republic of Croatia, in a Member State, and its shares are admitted to trading on regulated markets in several Member States in which an offeree company does not have its registered office, including the regulated markets in the Republic of Croatia, provided that the shares of the offeree company were first admitted to trading on a regulated market in the Republic of Croatia,
4. which has its registered office outside the Republic of Croatia, in a Member State, and its shares are admitted to trading on regulated markets in several Member States in which an offeree company does not have its registered office, including the regulated markets in the Republic of Croatia, provided that the Agency's competence has been designated in a manner set out in Article 56 of this Act,
5. The Agency shall be competent for supervision of a takeover of an offeree company, referred to in indent a), item 1, Article 2 of this Act, which has its registered office in the Republic of Croatia and its shares are not admitted to trading.

Article 56

- (1) The offeree company which has its registered office outside the Republic of Croatia, in a Member State, and whose shares are first admitted to trading on regulated markets within more than one Member State simultaneously, in which it does not have its registered office, including the regulated markets in the Republic of Croatia, shall notify each of these regulated markets and their supervisory authorities on the first day of trading which of the supervisory authorities of those Member States shall be the competent authority for supervising the takeover.
- (2) The regulated market in the Republic of Croatia on which shares of the offeree company are admitted to trading shall immediately publish on its website the notification, referred to in paragraph 1 of this Article.

- (3) The offeree company shall immediately upon admission announce the notification, referred to in paragraph 1 of this Article, in a manner determined in Article 4 of this Act.

Article 57

- (1) When the Agency is competent for supervising the takeover procedure, in the cases referred to in items 1 and 5, Article 55 of this Act, it shall apply the provisions of this Act in the entirety.
- (2) When the Agency is competent for supervising the takeover procedure, in the cases referred to in items 2, 3 and 4, Article 55 of this Act, the Agency shall apply the provisions of this Act, except for the provisions relating to a determination of the percentage of voting rights, creation of the obligation to announce a takeover bid, exemptions from the obligation to announce a takeover bid, conditions under which the management and supervisory board of the offeree company may take measures which result in impeding or frustrating the takeover bid and notification of employees of the offeree company. Instead of these provisions the applicable law of a Member State in which the offeree company has its registered office shall apply.

Article 58

- (1) Where the competent authority of a Member State has approved the announcement of a bid for a takeover of an offeree company whose shares are admitted to trading on a regulated market in the Republic of Croatia, the takeover bid shall be recognised in the Republic of Croatia without an additional authorisation procedure.
- (2) The takeover bid, referred to in paragraph 1 of this Article, shall be announced in a manner set out in paragraph 1, Article 4 of this Act.
- (3) The Agency shall be authorised, prior to the announcement of the takeover bid, referred to in paragraph 1 of this Article, to require from the offeror to supplement the content of the takeover bid by the appropriate data relating to the instructions on the method and effects of share deposit.

PENALTY PROVISIONS

Article 59

- (1) A fine of HRK 200,000.00 to HRK 1,000,000.00 shall be imposed on a legal person, i.e. a fine of HRK 100,000.00 to HRK 500,000.00 shall be imposed on a natural person for a violation, in the following cases:

1. if they, contrary to the provisions of paragraph 5, Article 9 of this Act, fail to immediately notify the Agency, the offeree company, the stock exchange and the regulated public market on which shares of the offeree company are admitted to trading of the creation of the obligation to announce the takeover bid, or fail to publish the same notification with no delay, in accordance with the provisions of Article 4 of this Act,
2. if they, contrary to the provisions of paragraph 2, Article 10 of this Act, fail to immediately notify the Agency, the offeree company, the stock exchange and the regulated public market on which shares of the offeree company are admitted to trading of the intention to announce a takeover bid, or fail to publish the same notification with no delay, in accordance with the provisions of 4 this Act,
3. if they, contrary to the provision of paragraph 1, Article 24 of this Act, fail to submit an application for the approval of the announcement of a takeover bid within 30 days following the date the obligation to announce the takeover bid has been incurred,
4. if they, contrary to the provisions of paragraph 1, Article 27 of this Act, fail to announce the takeover bid within 7 days following the date of receipt of the decision, referred to in paragraph 3, Article 24 of this Act.

(2) A fine of HRK 100,000.00 to HRK 500,000.00 shall be imposed on a legal person, i.e. a fine of HRK 50,000.00 to HRK 200,000.00 shall be imposed on a natural person for a violation, in the following cases:

1. if, contrary to the provisions of paragraph 1, Article 11 of this Act, the notifications, referred to in paragraph 5, Article 9 or paragraph 2, Article 10 of this Act do not contain the data referred to in items 1, 2, 3 and 4, paragraph 1, Article 22 of this Act,
2. if they, contrary to the provisions of paragraph 2, Article 12 of this Act, upon the Agency's request, fail to deliver immediately to the Agency an explicit statement of a takeover intention,
3. if they, contrary to the provisions of paragraph 1, Article 13 of this Act, make a bid or general bid to the shareholders of the offeree company, for the purpose of acquiring voting shares,
4. if they, contrary to the provisions of paragraph 2, Article 13 of this Act, make a public or other invitation to bid addressed to the shareholders of the offeree company with a view to acquire the shares carrying voting rights,
5. if they exercise a voting right attached to the acquired shares of the offeree company, contrary to the provisions of paragraph 3, Article 13 of this Act,
6. if, contrary to the provisions of paragraph 1, Article 22 of this Act, a takeover bid does not contain all the data, referred to in that Article or if the data are false,
7. if they, contrary to the provisions of paragraph 3, Article 27 of this Act, fail to deliver immediately to the offeree company, the stock exchange and the regulated public market on which shares of the offeree company are admitted to trading and to the depository a takeover bid or a revision of the takeover bid, upon the receipt of the Agency's decision, referred to in paragraph 3, Article 24 or paragraph 2, Article 29 of this Act,

8. if they, contrary to the provisions of paragraph 4, Article 27 of this Act, fail to notify immediately each shareholder of the content of the takeover bid or fail to provide, upon the shareholder's request, all the information at their disposal concerning the takeover bid,
 9. if, contrary to the provisions of paragraphs 1 or 2, Article 40 of this Act, as of the time of conclusion of a legal transaction of acquisition of shares of the offeree company, which creates an obligation to announce a takeover bid, until the expiry of the period for acceptance of the bid, they acquire or dispose of, or undertake to acquire or dispose of the shares that are subject to a takeover bid,
 10. if, contrary to the provisions of paragraph 1, Article 41 of this Act, within 7 days after the announcement of the takeover bid, they fail to disclose a substantiated opinion on the takeover bid, or if they disclose the opinion which does not contain the data prescribed by paragraph 1 of that Article,
 11. if they, contrary to the provisions of paragraph 1, Article 42 of this Act, take actions, referred to in items 1 to 5 of that paragraph, without the approval of the general meeting,
 12. if they, contrary to the provisions of paragraph 2, Article 42 of this Act, implement the decisions, referred to in paragraph 1, Article 42 of this Act, without the additional approval of the general meeting,
 13. if they, contrary to the provisions of paragraph 2, Article 47 of this Act, fail to deliver documents, comments or statements, considered necessary by the Agency for performing supervision,
 14. if they, contrary to the provisions of paragraph 3, Article 47 of this Act, fail to allow access to business premises, to ensure the appropriate premises and staff, to provide insight into the requested documentation and documents or fail to deliver them, fail to give statements or make comments, or fail to ensure other conditions necessary for performing supervision.
- (3) A fine of HRK 50,000.00 to HRK 200,000.00 shall be imposed on a legal person, i.e. a fine of HRK 20,000.00 to HRK 100,000.00 shall be imposed on a natural person in the following cases:
1. if they, contrary to the provisions of paragraph 3, Article 11 of this Act, fail to notify the Agency or notify it with delay of the receipt and content of the received notification, referred to in paragraph 1, Article 11 of this Act, as well as of all the procedures or negotiations with the offeror or persons acting in concert with the offeror, or of the fact that such procedures and negotiations are not underway,
 2. if the offeree company, contrary to the provisions of paragraph 4, Article 11 of this Act, fails to immediately notify the representatives of employees or where there are no such representatives, employees themselves, of the content of the received notification, referred to in paragraph 1, Article 11 of this Act,
 3. if they fail, contrary to the provisions of paragraph 3, Article 12 of this Act, to immediately deliver, upon the Agency's request, an explicit statement of whether they are acquainted with the takeover intention,
 4. if they fail, contrary to the provisions of paragraph 4, Article 12 of this Act, to immediately notify, in a manner referred to in Article 4 of this Act, or fail

- to deliver to the stock exchange and the regulated public market on which shares of the offeree company are admitted to trading, the statement, referred to in paragraphs 2 and 3, Article 12 of this Act,
5. if they, contrary to the provisions of paragraph 1, Article 15 of this Act, fail to provide insight into the data relating to shareholders or shares of the offeree company,
 6. if they, contrary to the provisions of paragraph 3, Article 30 of this Act, fail to immediately deliver the notification to the offeree company, the stock exchange and the regulated public market on which shares of the offeree company are admitted to trading and to the depository and fail to publish the same notification with no delay, in accordance with the provisions of Article 4 of this Act,
 7. if they, contrary to the provisions of paragraph 3, Article 33 of this Act, relating to a withdrawal of the takeover bid, fail to notify the Agency, the stock exchange and the regulated public market on which shares of the offeree company are admitted to trading, the offeree company and the depository,
 8. if they, contrary to the provisions of paragraph 4, Article 33 of this Act, fail to announce, within 7 days, the withdrawal of the takeover bid, referred to in paragraph 3, Article 33 of this Act,
 9. if they, contrary to the provisions of paragraph 1, Article 39 of this Act, after the expiry of the deadline for payment of shares that are subject to a takeover bid, fail to immediately deliver the takeover report to the Agency, the offeree company, the stock exchange and the regulated public market on which shares of the offeree company are admitted to trading and if they fail to publish it within 7 days, in accordance with Article 4 of this Act,
 10. if they, contrary to the provisions of paragraph 4, Article 39 of this Act, within 7 days following the date of receipt of the notification referred to in paragraph 3 of the same Article, fail to publish a notice on the failure of the takeover bid, in accordance with the provisions of Article 4 of this Act,
 11. if they, contrary to the provisions of paragraph 2, Article 41 of this Act, prior to the disclosure of the opinion, fail to present that opinion, in a timely manner, to the representatives of the employees, or where there are no such representatives, the employees themselves,
 12. if they, contrary to the provisions of paragraph 3, Article 41 of this Act, fail to enclose with their opinion at disclosure, the received opinion of the representatives of employees.
 13. if they, contrary to the provisions of paragraph 5, Article 41 of this Act, fail to immediately deliver the opinion on the takeover bid to the Agency, the stock exchange and the regulated public market on which shares of the offeree company are admitted to trading, no later than on the same day when they give publication orders to the publishers,
 14. if they, contrary to the provisions of paragraph 2, Article 43 of this Act, fail to notify the Agency and the supervisory authorities of the Member States in which the shares of the offeree company are admitted to trading on a regulated market of the fact that the offeree company has adopted or deleted a provision of the articles of association, in accordance with paragraph 1 of that Article,

15. if they, contrary to the provisions of paragraph 4, Article 45 of this Act, fail to notify of the request the minority shareholders, the offeree company, and the stock exchange or the regulated public market on which shares of the offeree company are admitted to trading and the Agency, or if they fail to publish the notification with no delay.
- (4) The responsible persons in a legal person shall also be fined from HRK 10,000.00 to HRK 50,000.00 for a violation referred to in paragraphs 1, 2, 3 and 4 of this Article.

STATUTE OF LIMITATION

Article 60

- (1) The minor offence court proceedings for the violations under this Act may not be initiated after the expiry of a period of three years following the date when the violation was committed.
- (2) The statute of limitations shall, in any case, become effective after the expiry of a period of six years following the date when the violation was committed.
- (3) The imposed sanctions may not be carried out after the lapse of a period of five years following the date of finality of the decision on the violation.

TRANSITIONAL AND FINAL PROVISIONS

Article 61

- (1) The administrative procedures of the takeover of public joint stock companies, on the basis of the application for the approval of the announcement of a takeover bid, initiated prior to the entry into force of this Act, shall be completed in accordance with the provisions of the Act on the Takeover of Joint Stock Companies (Official Gazette 84/02, 87/02 and 120/02).
- (2) The persons for whom the obligation to announce a takeover bid has been incurred in accordance with the provisions of the Act on the Takeover of Joint Stock Companies (Official Gazette 84/02, 87/02 and 120/02) and who have not submitted an application for the approval of the announcement of a takeover bid as at the date of entry into force of this Act, shall be obliged to meet the obligation incurred in accordance with the provisions of this Act.
- (3) The provisions of this Act shall apply as appropriately to the shareholders of a joint stock company which became an offeree company following the entry into force of this Act, holding 25% to 75% of the voting shares in the company at the time the company became the offeree company, which had been acquired before the joint stock company became the offeree company.

Article 62

The Act on the Takeover of Joint Stock Companies (Official Gazette 84/02, 87/02 and 120/02) shall cease to have effect on the date of entry into force of this Act.

Article 63

- (1) This Act shall enter into force on the eighth day after the day of its publication in the Official Gazette, with the exception of the provisions of Article 2, item 1, subitem b); Article 2, item 8; Article 17, paragraph 1, second and third indent.; Article 17, paragraphs 2, 3 and 4.; Article 20; Article 22, paragraph 1, items 9, 16 and 17; Articles 43 to 46; Article 55 and Articles 57 and 58 of this Act, which shall enter into force on the day of the Republic of Croatia's accession to the European Union.
- (2) On the day of accession of the Republic of Croatia to the European Union the provision of Article 54 of this Act shall cease to have effect.

Class: 432-02/07-01/01
Zagreb, 5 October 2007

CROATIAN PARLIAMENT
President of the Croatian Parliament
Vladimir Šeks, m.p.