

## Interim Dividends

### Unleash the Power of Interim Dividends: Flexibility and Dynamism in Corporate Law!

#### Introduction

With the revised Corporate Law coming into effect on January 1, 2023, the legislature has increased the flexibility of capital structure and dividend distribution for corporations. The legislature now allows for the distribution of interim dividends.

Distinctions are made between ordinary, extraordinary, and interim dividends. Ordinary and extraordinary dividends involve distributions from retained earnings and reserves formed for this purpose. These two types of dividends are based on the annual financial statements. In contrast, interim dividends are payouts from the profit of the current fiscal year.

#### What is required to distribute an interim dividend?

Shareholders decide, during an extraordinary general meeting based on an interim financial statement, to distribute an interim dividend. Alongside the interim financial statement, a proposal for the distribution of an interim dividend must be prepared.

The requirements for the interim financial statement are stipulated in Art. 960f CO. Accordingly, the interim financial statement follows the regulations for the annual financial statements and includes a balance sheet, an income statement, and notes. Furthermore, the article regulates permissible simplifications or abbreviations as well as disclosures in the notes. These include:

1. Purpose of the interim financial statement;
2. Information on simplifications and abbreviations as well as deviations from the principles of the last annual financial statements;
3. Explanations of factors that significantly influenced the company's financial position during the reporting period, especially regarding seasonality.

Simplifications and abbreviations are permitted as long as they do not impair the presentation of the course of business. At a minimum, the headings and subtotals contained in the last annual financial statements must be shown.

Furthermore, Art. 675a para. 2 CO stipulates that the auditor audits the interim financial statement. In companies without an auditor, the obligation to audit is waived. Furthermore, the audit may be waived if all shareholders agree to the distribution of the interim dividend and the claims of the creditors are not endangered thereby.

## Conclusion

The implementation of the above points is crucial: Initially, an interim financial statement (balance sheet, income statement, and notes) must be prepared, as well as the proposal for the use of the interim profit. This is followed by the audit of the interim financial statement if required by law. Finally, the general meeting, as the highest body, decides on the distribution of an interim dividend based on the interim financial statement.

The revision of corporate law has ushered in a new era of flexibility for companies with the introduction of interim dividends. By directly distributing from the profit of the current fiscal year, companies can react more dynamically to current developments and distribute capital more efficiently. The implementation requires careful consideration of legal requirements and a thorough review of the interim financial statement. Overall, interim dividends offer an attractive opportunity for companies to adjust their capital structure and enhance their financial performance.

## Our expertise

Benefit from our expertise and support your corporate management in implementing the new opportunities offered by corporate law. We provide tailored advice and solutions for the successful implementation of interim dividends in your company.

If you have any questions or require further information, please contact [Roman Schnellmann](#) or [Georg Estermann](#).