



Svilosa AD Shareholders' Rights

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I. Introductory regulations

The legal condition of the shareholders of Svilosa AD (further called the Company) is formed on the basis of their legally regulated rights and duties and is completed by the measures taken by the Company to safeguard their uniform implementation.

According to the Charter, Svilosa AD issues shares of one class – regular (non-privileged), non-cash, non-bearer shares with right to one vote and nominal value of BGN 1. Therefore, all shareholders are in equal condition by participating in the Company’ capital with the relevant number of shares registered under their name and have the same number of votes in the General Assembly of the Shareholders. Svilosa AD ensures conditions for their equal status according to the requirements of the Commercial Law and The Public Offering of Stocks Act.

II. Shareholders’ rights

The defense of the shareholders’ rights is a basic international principle of the good corporate governance which Svilosa AD follows.

The Svilosa AD’ shareholders have the following statutory rights which can be categorized in two groups – property and non-property rights.

1. Property rights

1.1. Right to a proportionate share in the distribution of the funds¹

The participation in the distribution of the Company’ profit as one of the ways of investment return is a basic right which is a result of the investment in Svilosa’ shares.

1.1.1. Right to a dividend

The right to a dividend equal to the nominal value of the share is an important and irrevocable property right of the shareholder which is represented by his right to receive a part of the Company’ balance profit which is proportionate to his share in the capital of the joint-stock company.

Legitimate subjects (bearers) of the right to a dividend are the persons who have acquired the statute of Svilosa’ shareholders not later than the 14th day after the day of the holding of the General Assembly of the Shareholders on which was taken the decision to pay dividends². The circle of people who have the right to a dividend is established according to a list from the Central Depository who is obliged to send it to the Company as per the demand of the person authorized to represent it.

The right to a dividend transforms into an executable and liquid right of taking the shareholder to the company shall the following preconditions occur together:

- Expiring of the financial year;
- A positive financial result realized (profit);
- Acceptance of the Company’ annual financial report by the General Assembly of the Shareholders;

- According to the accepted and approved annual financial report, the net value of the property, decreased by the dividends and the interests which are due to payment is not less than the capital amount of the Company, Reserve fund;
- Acceptance of the General Assembly of Shareholders' decision for allocation of the realized profit under the form of dividends³.

The regulations for payment of dividends are established imperatively in the Provision of art.247a of the Commercial Law⁴, as well as in Svilosa AD' Charter⁵.

The dividend payment' period is three months from the date of the General Assembly of Shareholders' decision⁶. The right to a dividend is repaid with the common 5-year prescription.

Within the legally established time period after the acceptance of the decision for allocating of dividends, the Board of Directors of Svilosa AD shall undertake measures for performing of the procedure of distributing the dividends among the shareholders by contracting the Central Depository AD and distributing the dividends through their developed procedure including contracting a bank for the dividend' payment. The General Assembly of Shareholders shall establish a deadline (within the legal time period of 3 months) and the means of dividend' payment as the Board of Directors shall inform the shareholders about this via the public register of the Financial Supervision Committee, Bulgarian Stock Exchange, the Company website (in the News section) and an announcement in one central daily newspaper. The shareholders who have not the possibility to receive their dividend within the deadline, are given the opportunity to receive 5 years at the latest from the date of acceptance of the General Assembly of Shareholders' decision, on the management address of the Company in Svishtov at the presentation of an identity document or – in case of representation – with a letter of attorney certified by a notary.

1.1.2. Right to a liquidation share

The right to a liquidation share proportionate to the nominal share value is a right of the shareholder to receive a money share of the Company property corresponding to the share of the capital he possesses shall a liquidation occurs⁷. The preconditions for the exercise of this right are as follows:

- Company liquidation;
- Satisfaction (payment) of Company' liabilities;
- Availability of residual net property after the payment to the creditors of the liquidated company⁸;
- Expiring of the 6-month period for the publishing of the invitation towards the creditors of the Company.

Only the persons who are Company' shareholders as per the moment of its liquidation have the right to a liquidation share.

1.2. Right to a proportionate share in the distribution of new shares among the shareholders in cases of capital increase

The capital increase of a public company is performed via issue of new shares under two main suppositions:

- Issue of rights⁹;
- Capitalizing part of the Company' net profit¹⁰.

The subjects and the order of exercising this right under both suppositions are stipulated in The Public Offering of Stocks Act¹¹. According to Svilosa' Charter, the capital can be increased as per the decision of the General Assembly of Shareholders or the Board of Directors under specifically regulated conditions¹².

The right to a proportionate share in the distribution of new shares among the shareholders in cases of capital increase is stipulated in the Commercial Law¹³ and in the Public Offering of Stocks Act¹⁴.

Svilosa' Board of Directors declares that it shall inform the shareholders under the legal order in case that a decision for capital increase via transformation of part of the profit into capital is proposed for voting. In that case, all new shares will be distributed among the present shareholders. In 7-day period after the entering of the capital increase into the Commercial Register, the Company shall undertake the relevant measures to register the emission and its entering into the register of the Financial Supervision Committee and the Central Depository AD' register as well as to announce this circumstance to the Bulgarian Stock Exchange – Sofia AD by inviting the shareholders to receive their shares. After receiving of the certifying documents, operational mechanisms shall be created for the receiving of the new depository receipts by the shareholders of the Company, including if necessary a contract with a bank or investment agent with developed branch network.

1.4. Right to a money payment of the investment in the Company

There are two suppositions under which the shareholder has the right to a money payment of their investment in the Company:

In the supposition of restructuring Svilosa from a joint-stock company into a company with another legal form (Ltd. – private limited company):

In this case if the accepted in the contract or the reconstruction plan exchange ratio is not equivalent to the fair price of the possessed shares before the restructuring, the shareholder has the right to receive the equivalent of his shares before the restructuring according to what is envisaged in the contract or the restructuring plan as well as to claim for money equivalent in three-month period from the notice. The law gives the shareholder the right to leave the company in which he received shares as a result of the restructuring as the preconditions to exercise this right are as follows:

- The legal status of the shareholder is changed after the restructuring;
- The shareholder voted against the restructuring proposal;
- The shareholder should present a notice certified by a notary to the company for the termination of his/hers participation in three-month period from the restructuring date.¹⁵

In the supposition of a contract for a joint-venture company:

If the Company becomes a party of a contract for a joint-venture, every shareholder of Svilosa AD has the right to request the Company to buy all or a part of the shares possessed by them at

the price noted in the report of the Company' management body, approved by the deputy chairman of the Financial Supervision Committee. The preconditions are as follows:

- The shareholder voted against the decision of the General Assembly for the approval of the contract or any of its following amendments;
- The shareholder must claim before the Company for the purchase in a period of 30 days after the date of holding of the General Assembly.

If it is envisaged in the contract for a joint-venture, the shareholder can require all or a part of its shares to be replaced with shares of the company which is the other part of the contract.

Detailed regulations regarding the shareholders' rights in case of a joint-venture are stipulated in the Public Offering of Stocks.¹⁶

2. Non-property rights

2.1. Right to participation in corporate decision making

2.1.1. Right to convene the General Assembly of the Shareholders

The right to convene the General Assembly of the Shareholders ensures additional protection of the shareholders with minority share of at least 5% of the Company'.¹⁷ Detailed analysis of this right is presented in the Regulations of convening General Assemblies of Svilosa AD' Shareholders.

2.1.2. Right to put questions in the agenda of the General Assembly of the Shareholders

Likewise, this right also guarantees protection of the Shareholders' minority rights.¹⁸ Detailed information can be found in the Regulations of convening General Assemblies of Svilosa AD' Shareholders.

2.1.3. Right to participate and vote in the General Assembly of the Shareholders

The right to vote is the most important non-property right of the Shareholders via which they participate in the decision making of the General Assembly of the Shareholders.¹⁹ The regulations for the convening of General Assemblies of the Shareholders of Svilosa AD contain a summarized comment on this right.

2.1.4. Right to require the presence of a notary in the General Assembly of the Shareholders.

According to art.232, p.4 of the Commercial Law every single shareholder can require the presence of a notary in the General Assembly who shall prepare a protocol under art.593 of the Code of Civil Procedures. A copy of the protocol shall be attached to the General Assembly' protocol. The members of Svilosa' Board of Directors have the same right.

2.2. Right to participate in the management of the Company

2.2.1. Right to be elected as members of the Board of Directors

The right to participate in the Company' management is a personal and irrevocable right of every shareholder despite the number of the capital shares held by them. The right to elect and be elected in the management bodies of the Company is included in the right to vote and the right to participate in the management. The applicable law does not provide a certain prohibition for being a shareholder and a member of a management body of the Company. Therefore, every shareholder has the right on common basis to be elected as a member of Svilosa' Board of Directors.

2.3. Right to information

The right to information is personal and control right of every single shareholder which cannot be revoked or limited via the Charter or by a decision of the management body or the General Assembly of the Company. This right is a precondition for a full exercise of all other rights of the shareholders.²⁰

The right to information contains several points:

2.3.1. Right to information regarding the General Assembly of Shareholders

In general, the right to information includes the legally guaranteed opportunity of every single shareholder to be regularly invited to attend the General Assembly of the Shareholders, to receive in advance the written materials for the Assembly²¹, and afterwards – the protocols of the meeting.²² According to the permanent legal practice, the violation of this right is a precondition to abolish the decisions of the General Assemblies of Shareholders accepted by violating the right to information of the shareholders.

2.3.2. Right to reference with the Shareholders' Book²³, as well as right to receive and examine the entire information which the Company presents to the Financial Supervision Committee and the public when performing the requirements of the applicable laws for public companies.

Detailed description of the types of due information for Svilosa AD and the time periods and responsible people for it presentation is stated in the Program for Good Corporate Governance.

2.3.3. Right to information in case of reorganization of the Company

According to the Charter of Svilosa AD, the decision for reorganization is in the competence of the General Assembly of Shareholders. Therefore, the shareholders shall receive by the Company the information needed in order to take the decision for reorganization under the regulations of the Commercial Law.²⁴

2.4. Right to check the financial status of the Company

This right is included in the scope of the right to information and contains two points:

2.4.1. Right to require the appointment of expert-accountants from the court shall such had not been appointed by the General Assembly of the Shareholders.

The exercise of this right belongs to every single shareholder as well as to the Board of Directors in case that the General Assembly of the Shareholders had not appointed an expert-accountant until the expiring of the calendar year.

2.4.1. Right to require the appointment of inspectors

The Commercial Law stipulates the right of the shareholders to require the appointment of inspector who shall examine the annual financial report and if this decision is not taken by the General Assembly, the shareholders may require the appointment of an inspector by the Regional Court as per the permanent address of the Company.²⁵ According to the special law which has a priority – the Public Offering of Stocks Act, this right belongs to the shareholders which together or separately possess at least 5% of the Company' capital and the inspector has the right to examine the entire accounting documentation of the Company.²⁶

2.5. Right to claim defense

Svilosa AD' shareholders have legal right to present different claims to defend or compensate their rights. This right is also a guarantee for the exercise of the other rights of the shareholders. The main types of claimed defense are as follows:

2.5.1. Right to abolish decisions of the General Assembly of the Shareholders

An effective mechanism for compensation of violated rights of the shareholders is the claim under art.74 of the Commercial Law²⁷ for the abolishment of decisions of the General Assembly of Shareholders if it is against the mandatory regulations of the Law or the Company' Charter. Specific cases for the exercise of this right are the claim for contestation of the reorganization²⁸ and the claim for announcing of invalidity of newly established company as a result of reorganization²⁹.

2.5.2. Right to defense of the membership gives the opportunity of every single shareholder with no limit in time to present a claim before the regional court to defend their right to membership and the membership' rights shall they be violated by the Company' bodies.³⁰ Subject of the claim can be the violation of rights including the recognition or non-recognition of the shareholder' status to a certain person. Depending on the subject of the dispute and the type of violation, the claim could be statutory or reprehensible.

2.5.3. Right to seek responsibility of the Management Body' members

This right is stipulated imperatively and thoroughly in the common (Trade Law) as well as in the special law (Public Offering of Stocks Act).³¹ The claims under art.118, item 1 and item 2 of the POSA are indirect and their purpose is to keep the company's property or its regeneration after decrease by fault of its Management Bodies and serves as additional guarantee for the minority shareholders' rights

2.5.4. Claim protection against drawing out of Company' assets.

The right to a protection against possible drawing out of assets is applicable in two cases:

- When concluding deals with related and concerned persons³²;
- When performing deals over certain financial thresholds³³.

2.6. Right to participate in other trade companies

According to the common regulation of the Trade Law, every single shareholder of Svilosa can own share of other trade companies' property.³⁴

III. Shareholders' obligations

The rights of the shareholders significantly exceed the scope of their obligations. Svilosa AD does not impose upon its shareholders additional obligations beyond the ones envisaged in the law. The main statutory obligations include:

1. Obligation for installment

This is the main obligation of every single shareholder corresponding to the collectivity of membership rights. The law allows in the Charter to be envisaged partial installments. Shall such regulation be missing, the relevant disposal regulations of the Trade Law shall be applied.³⁵ The order for the payment of the installments including non-cash installments is stipulated imperatively in the Trade Law.³⁶

The Svilosa AD' Charter envisaged a specific regulation regarding the installments of the shareholders in case the General Assembly has taken a decision for cover of previous years' losses by additional installments.³⁷

There is a prohibition for release of the obligation for the payment, relieve and compensation of the due installments.³⁸

Shall there be a delay or non-performance of the obligation for installment, the law envisages penalties – accumulation of interest, respectively a default and possibly – a suspension of the shareholder.³⁹

2. Obligation for revealing the share participation

The obligation for revealing the share participation refers to a limited circle of shareholders subject to specific conditions under the Public Offering of Stocks Act regarding the amount of the Company' capital owned by them. The notification shall be forwarded to the Financial Supervision Committee and the.⁴⁰ Shall such notification be received, the Company is obliged to reveal the notified circumstances regarding the share participation before the public.⁴¹

3. Obligation for registering of auction proposal

Subject of this obligation are also certain circle of shareholders shall they reach different legally stated thresholds of the number of votes in the General Assembly owned by them – respectively 5/100, 50/100 and 90/100. The rules, approved by the Company' Board of Directors regarding the realization of auction proposal for purchasing and replacement of Svilosa AD' shares, consist of detailed regulation of this obligation.

IV. Measures to ensure the equal opportunity for shareholders to exercise their rights

The measures for ensuring the equal opportunity of the shareholders to exercise their rights are stipulated in the [Good Corporate Governance Program of Svilosa AD](#). They include the following groups of internal initiatives over the requirements of the applicable law and sub-law regulations:

1. The Company guarantees reliable methods for registration and free transfer of ownership over Svilosa AD' shares.
2. The Board of Directors creates opportunities for the shareholders for easy participation in the operation of the General Assembly of the Shareholders by the power of the approved Rules for holding the general assemblies of shareholders.
3. It is envisaged to be accepted rules for legal and effective handling of internal information and prevention from dishonest trade and manipulation of the securities market as a part of the Ethic Code of Svilosa AD.

The Board of Directors engages to maintain an updated list of the people operating with internal information of the Company and this list shall be presented before the Financial Supervision Committee by demand.

Furthermore, the Board of Directors approves a standard of Declaration for nondisclosure and non-abuse of internal information. This Declaration shall be signed by all people in the above-mentioned list. The Board of Directors shall keep the signed declarations in its documentation archives.

4. The Board of Directors accepts Rules for deals with related and interested people and maintains a register of deals with related and interested people which register shall be presented before the shareholders and investors by demand.

V. Conclusion

The present document is accepted on a session of Svilosa AD' Board of Directors, performed on November 29th 2007 under the suggestion of the Corporate Governance Committee and presents an inseparable part of the Good Corporate Governance Program of Svilosa AD.

¹ **Art.181(1) CA:** Each share gives the right of one vote in the General Assembly of shareholders, the right to receive dividends and liquidation share, proportionate to the nominal value of the share.

² **Art.115v(1) LPOS:** Entitled to receive dividend shall be persons who were entered as shareholders in the Central Depository's registers on the 14th day following the date of the general meeting which approved the annual financial statement and made a decision to distribute the profit.

(2) The company must immediately notify the Commission, the Central Depository and the regulated market about the decision of the general meeting as to the type and amount of the dividend and about the dividend payment terms and procedure, including to indicate at least one financial institution through which the payments will be made. The types of financial institutions through which the payments may be effected shall be laid down in an ordinance.

(3) Upon receipt of a notification under para. 2, the regulated market on which the shares are traded shall immediately announce the final date for concluding share transactions enabling the purchaser to receive the dividend on these shares voted at the general meeting.

(4) Until the end of the business days following the day of any notification under para. 2 and the final day for concluding transactions under para. 3, special rules may apply to the regulated securities market regarding the price limitations of orders or quotations and transactions concluded.

³ The profit could be allocated between the shareholders as dividend, profit re-investment in the company through financing the investment projects or retention the profit at reserve fund in order to be used in the future for the company development. In this regard explicitly resolution for dividends allocation by the shareholders general assembly is required.

⁴ **Art.247a (1) CA:** Dividends and interests as per art.190, paragraph 2 are paid only if according to the revised and adopted by section XI Financial Report for the relevant year the net value of the property decreased with the dividends and interests which are to be allocated is not less than the company capital value, Reserve fund and the other funds which the company is obliged to found by Law or Charter.

(2) As per paragraph 1 the property net value is the difference between the value of the company rights and obligations according to its balance.

(3) The payments under paragraph 1 are done to the profit amount for the relevant year, the undistributed profit from prior years, the part from Reserve fund and the other company funds, exceeding the minimum set by the law or Charter and decreased with the prior period losses and the allocations for Reserve fund

(4) If payments are done without the preconditions of para. 1-3, the shareholders are not obliged to return the amount received except if the company proves that they were advised or able to know about the lack of preconditions.

⁵ **Art. 29 of the Charter:** The dividends are formed from the distributed profit of the company after taxation and allocation of funds for Reserve fund. Dividend is not paid in case of annual closure with a loss or lack of resources after allowances for Reserve fund.

⁶ **Art. 115c (5) LPOS:** The company must ensure that the dividend voted at the general meeting be paid to shareholders within 3 months after the general meeting has been held. All expenses related to the payment of the dividend shall be covered by the company

⁷ **Art.111(4) LPOS:** A public company may not issue preferred shares giving the right to more than one vote or to an additional liquidation share.

⁸ **Art. 271 CA** The property left after creditors satisfaction is allocated between the partners respectively between the shareholders.

⁹ **Art. 112. (2) LPOS:** In the event of an increase in the capital of a public company through the issuance of new shares, rights under § 1, item. 3 shall be issued. One right shall be issued for each existing share.

¹⁰ **Art. 197(1) CA:** The general meeting could take resolution to increase the capital by transforming part of the profit in capital. The resolution is taken within 3 month after the Financial report (during the past year) acceptance with majority $\frac{3}{4}$ from the votes of the shares presented at the meeting.

(2) At the subscription of resolution for increase the balance sheet is presented and it's stated that the increase is from company own funds.

(3) The new shares are distributed between the shareholders, including the company if it possess own shares equal to their participation in the capital to the increase. General meeting resolution which contradicts of the previous sentence is invalid.

¹¹ **Art.112b(2) LPOS:** Right to participate in the increase in the capital shall have the persons who have acquired shares not later than 14 days after the date of the general meeting's decision to increase the capital, or when this decision is made by the management - the persons who have acquired shares not later than 7 days after the date of the publication of the announcement under Art. 92a para 1. On the next working day, the Central Depository shall open accounts for rights of the persons under the previous sentence, drawing on information from the book of shareholders.

(9) The public company shall organize the subscription in a way that can allow for remote subscription for shares through the Central Depository and its members.

(10) During the subscription in the beginning of every working day the Central Depository shall announce publicly information on the rights that were exercised by the end of the previous working day.

¹² **Art. 8 /1/of the Charter:** The Capital of the company can be increased pursuant to a decision of the General Assembly of shareholders with emission of new shares, increase in the nominal value of already emitted shares or with transformation of bonds into shares.

/2/ The shareholders have the right to acquire shares from new emissions at terms, determined by the General Assembly of shareholders.

/3/ Shares from new emissions that have not been subscribed by shareholders by the order of Art.2 are offered at the market in compliance with the existing statutory order.

/4/ In case of increase of the capital through purposive deposit of money or property by different shareholders, physical or juridical persons by terms determined by the General Assembly of shareholders, they acquire entirely the shares from new emissions.

/5/ The capital can be increased also if the shares are bought by certain people at certain price.

Art. 23/8/(Amended November 25th 2006) Within 5 years from the inscription of this amendment of the Charter in the Trade Registry, based on art.196, point 1 from the Trade Law, the Board of Directors has the right to take decisions to increase the capital of the Company until reaching total nominal amount of 100 000 000 /one hundred million/ BGN by the emitting of new regular or privileged shares.

¹³ **Art.194(1) CA (Shareholders advantages at new shares issue):** Each shareholders has right to acquire part of the new shares which part corresponds to their participating interest in the capital prior to the increase.

(3) The shareholders as per para.1 and 2 is paid off in term stated by the general meeting but not least than one month after notification in the Trade register for invitation in the subscribing for shares. The invitation for new shares subscribing is announced together with the resolution for capital increase in the Trade register.

¹⁴ **Art.112 (1) LPOS:** In the event of an increase in the capital of a public company each shareholder shall be entitled to the right to acquire shares corresponding to their participating interest in the capital prior to the increase.

¹⁵ **Art.261b(1) CA:** In a transformation, partners or shareholders in transforming companies shall become partners or shareholders in one or more of the newly established and/or receiving companies. Interest stakes or shares acquired after the transformation must be equivalent to the fair price of interest stakes or shares held prior to the transformation in the transforming company.

(2) To attain an equivalent exchange ratio, cash payments may be made to partners or shareholders in an amount not to exceed 10 per cent of the aggregate nominal value of the interest stakes or shares acquired.

(3) (New, SG No. 66/2005) No shares or stakes in a receiving or a newly formed company may be acquired in exchange of shares or stakes in the transforming company, owned by the receiving company, nor against own shares of the transforming company. This prohibition shall also be valid in regard to persons operating in their own name, but on the account of the company.

Article 262q (New, SG No. 58/2003) (1) CA: Where as a result of a transformation a partner in a limited liability company or a shareholder becomes an unlimited liability partner, it is necessary to obtain his express consent.

(2) The consent shall be considered to be given if the partner or shareholder has voted for the decision to transform. In this case the general meeting shall be attended by a notary public who shall draw up a memorandum establishing facts as referred to in Article 488a of the Code of Civil Procedure , a transcript of which shall be attached to the minutes from the general meeting.

(3) If a partner or shareholder has not taken part in the taking of the decision, his consent may be given in writing with a notarization of the signature.

Article 262x CA: Where the partners or the shareholders of the transforming companies have to receive dematerialised shares, the governing body of a receiving or newly established company shall state before the Central Depository the registration of the issue of shares, including the opening of accounts or the transfer of shares already issued. After the registration referred to in Article 263c, paragraph 1 and Article 263d, paragraph 1, the Central Depository shall register the issue and distribute the shares among the accounts or register the transfer of the shares.

Article 263q (1) Any partner or shareholder may, within three months following the date of the transformation, lodge a claim for cash settlement with the regional court, if the exchange ratio adopted under the transformation agreement or plan is not equivalent.

(2) The claim under paragraph 1 shall be lodged against the receiving or the newly established company in case of a takeover or merger. In case of splitting or spinning off, the claim shall be lodged against the company or companies in which the partner or shareholder participate after the transformation.

Article 263r (1) A partner in a limited liability company or a shareholder whose legal status is changing after the transformation and which has voted against the decision to transform may leave the company in which it has received interest stakes or shares. Termination of participation shall be effected under a notarized notice to the company within a period of three months after the date of the transformation.

(2) The partner which has left shall have the right to receive the countervalue of its membership share or shares held prior to the transformation, according to the exchange ratio provided for in the transformation agreement or plan. The partner which has left may lodge a claim for cash settlement within a period of three months after the notice referred to in paragraph 1.

(3) The interest stakes of the partner which has left shall be taken over by the remaining partners, offered to a third party or the capital shall be reduced by their amount. The shares of a shareholder which has left shall be taken over by the company and concerning them the rules for the acquisition of own shares shall apply, except for Article 187a, paragraph 4.

Art.122(1) LPOS: In cases of transformation under Chapter Sixteen of the Commercial Code, which involves at least one public company, the newly-established and the host company or companies, shall also be public.

(2) The entering of the transformation under para. 1 in the commercial register is allowed only after the submission of the deputy chairman's decision under Art. 124, para (1).

Art. 125 LPOS: the deputy chairman shall refuse the issue of approval if the written materials under Art. 124, para. 2 do not comply with the requirements of the law, the information they contain is not presented in a way accessible to the shareholders or does not reveal faithfully and completely the material circumstances that are important for the shareholders to make a reasoned decision on the proposal for transformation as well as if the shareholders' interests are harmed in any other way. Art. 91 and Art. 92, para. s (2) and (3) shall apply accordingly

Art. 126(1) LPOS: any shareholder who quitted the company according to Art. 263r of the Commercial Code shall have the right to receive the equivalence of the shares owned by him before the transformation at the price stated in the plan or in the contract for transformation. In this case, Art. 111, para 5 shall not apply.

(2) Within thirty days of the date of the notification for termination of a participation under Art. 263r of the Commercial Code, the newly-established and/or Host Company must buy out the shares of shareholders under para. 1.

¹⁶ **Art.126c(1) LPOS:** The management body of each public company that is party to a common enterprise agreement shall draw up a written report containing the legal and economic rationale for the agreement, a valuation of the assets and the other forms of contribution with which each company participates in the common enterprise, as well as a rationale, on the basis of generally accepted valuation methods, of the fair price of the shares in the respective public company. Any requirements of the content of the rationale for the fair price, including requirements of the application of valuation methods, shall be set out in an ordinance.

(2) The report under para. 1 must be reviewed by not more than three independent experts with the necessary qualifications and experience approved by the deputy chairman upon proposal by the companies that are parties to the agreement. The experts shall draw up a written report for the shareholders. The costs of the expertise shall be covered by the companies.

(3) The expert shall draw up a report that indicates the methods for valuation of the forms of contribution of the parties to an agreement and for valuation of the fair price of the shares in the public company, to what degree these methods are appropriate, as well as any difficulties in the valuation if there are any. The report must also indicate other material circumstances that are important for the shareholders to make a reasoned decision on the draft agreement.

Art.126 e (1) LPOS: A common enterprise agreement shall become effective following an approval by the general meeting of each of the companies that are parties to the agreement. The decision of the general meeting shall be made by a majority of $\frac{3}{4}$ of the represented capital

(2) The companies shall file the common enterprise agreement, the decisions of their general meetings and the decision by the deputy chairman for its approval with the commercial register within 7 days of the agreement's effective date. Within this term, a public company that is party to an agreement shall also enter it for filing in the register under Art. 30, para. 1, item 3 of the Financial Supervision Commission Act.

Art.126 f (1) LPOS: Any shareholder in a public company that is party to a common enterprise agreement shall be entitled to request of the company to purchase all or a portion of the shares the person holds at the price indicated in the report of the company's management body which is approved by the deputy chairman, if the person voted against a decision of the general meeting to approve the agreement or a further amendment to it. In this case, Art. 111, para. 5 shall not apply.

(2) Instead of purchase of shares, a common enterprise agreement may entitle the persons under para. 1 to request of the company to exchange all or a portion of their shares in the public company for shares in the company that is counter party to the agreement. In this case, the management body's report under Art. 126c must contain information about the rights associated with the shares in the controlling company and a rationale, on the basis of generally accepted economic methods, of the fair price of the shares in the controlling company and their exchange ratio for shares in the public company

(3) The persons under para. 1 must file with the respective public company a request for the buy-out or exchange of shares within thirty days of the date of the general meeting.

(4) Within thirty days of the expiration of the term under the previous paragraph but not before the effective date of a common enterprise agreement, the public company must purchase the shares of shareholders who have made a request.

Art.126g(1) LPOS: the persons who manage a common enterprise must act in the interest of the parties to the agreement and their shareholders. Art. 116b shall apply accordingly.

(2) The persons under para. 1 shall be jointly and severally liable for any damage caused due to failure to perform their obligations in the management of a common enterprise to each company that is party to the common enterprise agreement.

(3) A person who through their influence on a manager of a common enterprise has made the manager act or refrain from action not in the interest of the parties to the agreement shall be jointly and severally liable for the damages caused.

(4) Persons holding together or separately at least 5 percent of the capital of a public company that is party to a common enterprise agreement may file a claim with the district court for the district where the company is incorporated for indemnity for damages caused to the public company by action or inaction of the persons under para. 2.

¹⁷ **Article 223(1) CA** The general meeting shall be convened by the board of directors, or by the managing board as the case may be. A general meeting may also be convened by the supervisory board, as well as on the request of the owners which have held, for more than 3 months, shares representing at least 5 per cent of the stock.

(2) Where within one month following the request of shareholders - holders of at least 5 per cent of the capital, pursuant to paragraph (1), such request has not been granted, or if a General Meeting has not been held within 3 months after submission of such request, the District Court shall call a General Meeting or shall authorize the shareholders who requested the Meeting, or a representative thereof, to call a Meeting. The fact that the stock has been held for more than 3 months shall be established before the court under a notarized statement of certification.

Art. 14 /1/ of Svilosa' Charter The General Assembly of shareholders is summoned at regular meetings at least once annually.

/2/ The General Assembly is summoned by the Board of Directors or by demand from shareholders who own at least 1/10 of the capital in compliance with Art. 223 of the Commercial Law.

¹⁸ **Article 223a CA** Shareholders who for more than three months have owned shares representing at least 5 percent of the Company capital stock can, following the posting a notice in the Commercial Register or the sending out of invitations, also include other subjects on the General Meeting agenda.

(2) Not later than 15 days prior to the opening of the General Assembly the persons as per par. (1) shall file with the Commercial Register a list of the items to be included in the agenda, together with any motions for decisions. By virtue of being posted in the Commercial Register, said issues shall be considered as listed on the proposed agenda.

(3) The fact that the stock has been held for more than 3 months shall attested to by a declaration.

(4) Not later than on the next business day following the posting the shareholders shall submit the list of the items, any motions for decisions and the written materials related to those at the registered seat and management address of the company. Article 224 shall also apply accordingly.

¹⁹ **Art. 228(1) CL:** The right to vote comes with the payment of the installment unless otherwise stated in the Charter.

Art. 111(1) LPOS: The right to vote at a public company's general meetings shall arise at the moment of paying up the full issue price of the share and after the entry of the company, or of the increase in its capital in the commercial register.

(4) A public company may not issue preferred shares giving the right to more than one vote or to an additional liquidation share

Art.115b (1) LPOS: The right to vote shall be exercised by persons who were entered as shareholders in the Central Depository's registers 14 days prior to the date of the general meeting.

Art.226 CL: Every shareholder has the right to authorize in written a person to represent them in the General Assembly..

Art. 229 CL: A shareholder or its representative cannot participate in the vote for:

1. Put in a claim against him.
2. Take measures for their responsibility towards the company.

²⁰ **Art.110c LPOS:** The public company must ensure all necessary conditions and information to enable shareholders to exercise their rights, as well as to guarantee the integrity of this information.

²¹ **Art.224(1) CA:** (1) (Previous Article 224, amended SG No. 58/2003, No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) All papers relative to the agenda of a general meeting must be placed at the disposal of the shareholders not later than the date of posting the announcement or mailing of the notice thereof.

(3) Such papers shall be available free of charge to any shareholder on demand.

²² **Art.115(6) LPOS:** The members of the management and supervisory bodies and the procurator of the company must answer honestly, exhaustively and to the point to questions asked by shareholders at the general meeting regarding the economic and financial position of the company and its commercial activity, except for circumstances that are considered insider information. Shareholders may ask such question even if these questions are not related to the agenda.

²³ **Art.133(1) LPOS:** Any investor has the right to access the registers of the central depository through a member of the institution only with regard to the information related to his/her shares and to securities transactions where he is a party. The central depository and its members cannot refuse to perform the services described in the previous sentence.

²⁴ **Article 262n CA** (1) Prior to making the decision concerning the transformation, the following shall be made available to the partners and the shareholders:

1. the transformation agreement or plan;
2. the report of the governing body;
3. the examiner's report;
4. the annual financial statements and the activity reports of all transforming and receiving companies for the past three financial years, if any;

5. the balance sheet as of the last of the month preceding the date of the transformation agreement or plan, unless the most recent annual financial statements refer to a financial year ended less than 6 months prior to that date;

6. drafts of a new membership agreement or articles of incorporation of each of the newly established companies, or draft amendments to the articles of incorporation or membership agreement of each of the transforming and receiving companies, respectively.

(2) The papers referred to in paragraph 1 shall be made available at the seat and address of equity companies within 30 days prior to the date of the general meeting. On request, a copy of the papers or summaries of these shall be made available to each partner or shareholder free of charge.

(3) The time period referred to in paragraph 2 does not need to be observed if all partners or shareholders have voted for the transformation.

(4) The governing bodies of each of the transforming or receiving companies shall be obliged to inform the general meeting of the partners or shareholders of any change in the property rights and obligations that has occurred between the drawing up of the transformation agreement or plan and the day of the general meeting. The governing bodies of the other transforming or receiving companies shall also be informed of such change, which shall be obliged to inform the general meetings of their companies.

Article 264b CA (1) The transformation plan shall be submitted for recordation in the Commercial register. If the transforming company is an equity one, the submitted plan shall be recorded not later than 30 days prior to the date of the general meeting on taking the decision to transform.

(2) The following shall be made available to the partners and the shareholders:

1. The transformation plan together with the draft for a new membership agreement or articles of incorporation of the newly established company;

2. the balance sheet as of the last of the month preceding the date of the transformation plan, unless the most recent annual financial statements refer to a financial year ended less than 6 months prior to that date;

3. data concerning the appointed examiner and the authorized depository under Article 262x.

(3) The papers referred to in paragraph 2 shall be made available at the seat and address of equity companies within 30 days prior to the date of the general meeting. On request, a copy of the papers or summaries of these shall be made available to each partner or shareholder free of charge.

(4) The time period referred to in paragraph 3 does not need to be observed if all partners or shareholders have voted for the transformation.

²⁵ **Article 251a CA (1):** Shareholders holding at least 10 per cent of the company's equity may request the general meeting to appoint an examiner tasked to examine the annual financial statements

(2) Should the general meeting fail to adopt a decision to appoint an examiner, the shareholders referred to in paragraph (1) may request the appointment of one from the regional court in the region of which the company's seat is located.

(3) The appointed examiner shall prepare a report of his findings which shall be presented at the next general meeting.

(4) The cost of the examination shall be at the expense of the company.

²⁶ **Art. 118. LPOS (1):** The persons holding jointly or separately at least 5 per cent of the capital of a public company may bring before the court the company's claims against third parties in case of inaction of the public company's management bodies which jeopardises its interests. The company shall also be summoned as a party to the proceedings.

(2) (Am. – SG, iss. 61 in 2002) the persons under para. 1 may:

1. bring a claim before the district court according to the company's registered office for compensation of damage inflicted on the company as a result of the executive actions or inaction of the members of the management and supervisory bodies and of the company's procurators;

²⁷ **Art. 74 CA (Repealing of general meeting resolution)**

(1) Every partner or shareholder may bring an action before the district court of the company's seat for the repeal of a resolution of the general meeting when such resolution is inconsistent with a mandatory provision of the law or with the articles or, respectively, the Charter of the company. The action shall be brought against the company.

(2) The action shall be brought within 14 days of the date of the meeting when the plaintiff was present or was duly notified, or otherwise within 14 days of learning of the resolution, but not later than three months after the date of the general meeting.

(3) A partner or shareholder may intervene in a proceeding in accordance with the provisions of the Code of Civil Procedure. It may carry on the proceedings even after the withdrawal of the original plaintiff.

(4) (New – SG, 59/2007 effective date March 01, 2008). The claim is considered under Chapter thirty three “Class action proceedings” from the Civil Procedure Code, when resolution of the general meeting of stock company with issued bearer shares or of the investment company with variable capital is disputed. In this case excluding from participation is not allowed.

Art.75(1) CA: The instructions given by the court in repealing a general meeting resolution concerning the interpretation of the law, the memorandum of association or the Charter shall be binding on the general meeting whenever it discusses the same issue again.

(2) Resolutions or acts by the company's organs which are in contravention of an effective court ruling are null and void. Each partner or shareholder may at any moment refer to such nullity or request its proclamation by the court.

²⁸ **Article 264k (1) CA:** Any partner or shareholder in the transforming company may lodge a claim with the regional court in the jurisdiction of which its seat is located in order to establish that in the change of the legal form any of the following violations have occurred:

1. a transformation plan is lacking or the plan is null and void;

2. failure to meet the requirements of Article 264a, paragraph 1 and paragraph 2, subparagraphs 1, 2 and 6, Articles

264b - 264e and Article 262w, paragraph 1;

3. the decision to transform contradicts prescriptive provisions of the law or the founding agreement, or the articles of incorporation of the company, as the case may be.

(2) A non-equivalent exchange ratio is not grounds for filing a claim pursuant to paragraph 1.

(3) The claim referred to in paragraph 1 shall be lodged against the transforming company not later than before the registration of the change of the legal form. Any partner or shareholder may step into the proceedings and sustain the claim, even if the claimant should give it up or withdraw it.

(4) (Amended, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) The filing of the claim as per paragraph (1) shall result in suspension of the recordation of transformation. Recordation of the transformation shall be denied by force of the effective court decision sustaining the claim.

(5) (Amended, SG No. 59/2007) The claim under paragraph 1 shall be considered according to the rules set out in chapter Thirty-Two Proceedings on Commercial Disputes of the Code of Civil Procedure.

(6) The decision to transform may not be attacked by lodging a claim under Article 74.

²⁹ **Article 263p (1)** After the date of the transformation, one may request the pronouncement of nullity of the company newly established in the transformation by applying Article 70. Such a request may be lodged only by a partner or by a shareholder.

(3) The claim under paragraph 1 may not be lodged by a partner or shareholder which has take part in proceedings on a claim contesting the transformation and the claim has been rejected.

³⁰ **Art. 71. CA** Any partner in a company may bring an action to the district court of the company's seat to protect its right to be a partner and its individual rights as a partner, when these have been violated by the company's organs.

³¹ **Article 240a CA:** Shareholders holding at least 10 per cent of the company's equity may file a claim demanding that members of the board of directors, or the supervisory board or managing board, as the case may be, be held liable for damages caused to the company.

Art. 118. (1) LPOS: The persons holding jointly or separately at least 5 per cent of the capital of a public company may bring before the court the company's claims against third parties in case of inaction of the public company's management bodies which jeopardises its interests. The company shall also be summoned as a party to the proceedings.

(2) The persons under para. 1 may:

1. bring a claim before the district court according to the company's registered office for compensation of damage inflicted on the company as a result of the executive actions or inaction of the members of the management and supervisory bodies and of the company's procurators;

Art. 118a. Any person, who controls a public company, as well as any other person who through their influence on the public company has persuaded a member of the company's managing or supervisory bodies, or a procurator of the company, to act or to refrain from action in a way that conflicts with the interests of the

company, shall be jointly and severally liable for the damages done to the company. Art. 118, para. 2, item 1 shall apply accordingly.

³² Comprehensive regulation has been done with the accepted by Svilosa BOD Rules for transactions with the related and interested entities.

³³ Reference: The Good Corporate Governance Program of Svilosa AD.

³⁴ **Art.65(2) CA:** Every person can participate in more than one company unless otherwise stated in the law.

³⁵ **Article 188 (1) CA:** The shareholders shall be obligated to make contributions for the shares subscribed, which shall cover the fixed by the Articles of Association portion of the value of the shares. The remainder shall be paid in within a period stipulated in the Articles of Association, but not later than two years of the company's registration, or increase of capital respectively.

(2) Partial contributions may vary for individual shareholders, if the Articles of Association provide so expressly.

Art. 167(1) CA: For payments or contributions for subscribing to shares the shareholders shall receive interim certificates signed by the founders or by a person authorized by them.

(2) The shareholders shall receive their shares upon presentation of interim certificates.

³⁶ **Art. 166(1) CA:** Monetary payments shall be made to a bank account opened by the founders in their name, with an indication of the name of the payer, and any payments with deposited sums shall be effected with their unanimous decision.

(2) The provisions of Articles 72 and 73 shall apply *mutatis mutandis* to non-monetary contributions

Art.72(1) CA: (1) Should a partner or, respectively, a shareholder, make a non-monetary contribution, the articles or, respectively the Charter, shall state the name of the contributor, a full description of the non-monetary contribution, its monetary value, and the grounds for the contributor's rights

(2) The contribution in a limited liability company, a joint stock company or a partnership limited by shares shall be valued by three experts appointed by the court which shall register the company, at the request of the contributor and the founders. The experts' conclusion shall include full description of the non-monetary contribution, valuation method, the valuation and its equivalence with the capital amount or the number, nominal and issue value of shares, inscribed by the contributor. The conclusion shall be presented in the Trade register with the Application for registration.

(3) The valuation stated in the articles or, respectively, in the Charter, shall not be higher than the valuation assigned by the experts before the court.

(4) Should the contributor not agree with the valuation, the same may participate in the company with a monetary contribution or withdraw from participation in the company.

(5) The contribution may not have as a subject future labor or services.

Art.73 (1) CA: The contribution of a right for the creation or transfer of which a notarial form is required shall be effected with the articles. For contributions to a joint stock company the consent in writing of the contributor and a description of the contribution with a notarized signature shall be attached to the Charter.

(2) The contribution of any other rights shall be made pursuant to the form the law provides for their creation or transfer.

(3) The contribution of a claim shall be made with the articles or, respectively, the Charter, and the contributor shall attach evidence of having notified the debtor of the transfer of the claim. The notification request is not applicable when the receivable is against the company.

(4) Title to a contribution shall be acquired from the moment of the company's formation.

(5) Where a contribution has as a subject a real right over real property, the respective organ of the company shall, after such right has arisen, present a certified by a notary public abstract of the articles for recording in the notary register of deeds and, whenever necessary, separately the consent of the contributor as well. The organ shall present a certified by a notary public abstract of the Charter and the consent of the contributor. In making the recording the notary public shall ascertain the contributor's rights.

³⁷ **Art.9/1/ from the Charter:** The losses from the annual balance or from previous years are covered from the Reserve fund.

/2/ When the actual value of the capital falls under the nominal, the General Assembly of shareholders can take a decision to cover the losses with additional installments. The decision obligates the shareholders that

voted for it. The shareholders that voted against it can announce that they accept the decision till the end of the same meeting.

/3/ The shareholders that have made additional installments have the right to receive the part of the covered loss on the account of the dividends of shareholders, that have not made such installments, in proportion to the shares of the last.

/4/ If a decision for additional installments is not taken and the capital remains under the required by law minimum for one year, the General Assembly takes a decision to transform the company into a limited liability company, in which the distribution of shares is corresponding to the distribution of capital among the shareholders or can decide to suspend the company through liquidation.

³⁸ **Art.73a CA:** The obligation of partners and shareholders of a limited liability company, for contribution in the capital couldn't be released, except if reduced, nor offset.

Art.263 n (1) CA: Partners or shareholders from the transforming or accepting company are not released from the contribution obligations which are not fully paid.

(2) After the transforming date the contributions are due to the accepting or newly established company at mergers or acquisitions and in case of demerger and separation – according to the envisaged in the contract or in the transformation plan.

³⁹ **Art. 189(1) CA: (1)** The shareholders which have not made their contributions within the specified time periods shall owe interest, unless the Charter do not provide for liquidated damages. In case of a delayed nonmonetary contribution, compensation for actual damage suffered may be claimed.

(2) Shareholders whose contributions are overdue, if they do not make the due contributions within one month of written notice to do so, shall be deemed expelled. The notice must be published in the State Gazette unless the transfer of the shares is subject to the consent of the company.

(3) A shareholder so expelled shall lose its shares and any contributions made. The shares of a shareholder so expelled shall be cancelled and destroyed. The company shall offer for sale new shares substituting the cancelled ones. The contributions made by the expelled shareholder shall be appropriated to the company's reserve fund.

⁴⁰ **Art. 145. LPOS (1)** Any shareholder who acquires or transfers directly and/or according Art.146 a voting right in the general meeting of a public company shall notify the Commission and the public company, where:

1. as a result of the acquisition or transfer his voting right reaches, exceeds or falls below 5 per cent or a figure multiple of 5 per cent, from the number of votes in the company's general meeting;

2. his voting right reaches, exceeds or falls below the thresholds under item 1 as a result of events, which lead to changes in the total number of voting rights on the basis of the information disclosed according Art. 112e.

(2) The voting rights shall be calculated on the basis of the total number of voting shares, irrespective of whether a restriction has been imposed on the exercising of the voting right. The calculation shall be made for every separate class of shares.

(3) Where the reaching or exceeding of the thresholds under para 1 is as a result of direct acquisition or transfer of voting shares, the obligation under para 1 shall arise also for the Central Depository. The form, content and procedure for making the notification shall be laid down in an ordinance.

Art. 146 (1) LPOS: The obligation under Art. 145 para 1 shall also apply to any person entitled to acquire, transfer or exercise the voting rights in the general meeting of the public company in one or more of the following cases:

1. voting rights, possessed by a third person, with whom the person has concluded an agreement to pursue lasting common policy of the company's management by joint exercising of the possessed by them voting rights;

2. voting rights, possessed by a third person, with whom the person has concluded an agreement, providing for temporary transfer of the voting rights;

3. voting rights attaching to shares provided as a collateral to the person, provided that such person may control the voting right and has expressly stated his intent to exercise them;

4. voting rights, attaching to shares provided to be used by the person;

5. voting rights, which are possessed or may be exercised according item 1-4 by a company over which the person exercises control;

6. voting rights attaching to shares deposited with the person, which such person may exercise at his discretion without special orders by the shareholders;

7. voting rights, possessed by third persons on their behalf, but for the account of the person;

8. voting rights, which the person may exercise in his capacity of a proxy, where such person may exercise the voting rights at his discretion, without special orders by the shareholders;

Art. 148 LPOS: the notification under Art.145 para 1 and Art. 146 para 1 shall contain at least:

1. number of votes as a result of the change;
2. the controlled persons, through whom the person exercises the voting rights, if applicable;
3. the date on which the voting rights of the persons have reached, exceeded or fallen below the thresholds under Art. 145 para 1;
4. data about the shareholder, irrespective of whether he is entitled to exercise the voting rights according Art. 146 para 1, and about the persons entitled to exercise the voting right for the shareholder's account.

(2) The notification shall be made in the Bulgarian language or in a language customary in the field of international finances. The public company shall not be obligated to provide a translation of the notification in a language, accepted by the Commission or the other competent authorities.

(3) The obligation for notification under Art. 145 para 1 and Art. 146 para 1 shall be fulfilled immediately, and not later than 4 working days after the day following the day in which the shareholder or the person under Art. 146 para 1:

1. comes to know of the acquisition, transfer or of the possibility to exercise the voting rights according Art. 146, or on which according the specific circumstances he must have learnt of it, regardless of the date, on which the acquisition, transfer were carried out or the possibility for exercising the voting rights arose;

2. is informed of the occurrence of the events under Art. 145 para 1 item 2;

(4) The notification obligation under Art. 145 para 3 shall be performed latest by the end of the day following the shares acquisition or transfer.

(5) The requirement under para 1 shall not apply to the entity, for which the notification obligation has been fulfilled by its parent undertaking or where the parent undertaking itself is a controlled company – by its parent undertaking.

(6) To the notification shall be attached a written statement for the availability of the circumstances under Art. 145 and/or Art. 146.

(7) The form and procedure of making the notification, as well as the additional requirements to its content, the cases in which it is considered that the person must have learnt of the acquisition and transfer, the conditions in which it is considered that the exercising of the votes, or the portfolio management by the management company and the investment intermediary are independent, as well as the measures for exercising control for compliance with the conditions for exemption from the obligations for notification under this Division, shall be laid down in an ordinance.

⁴¹ Art. 148b. A public company must disclose to the general public in accordance with Art.100s the information provided with the notifications of the persons under Art. 145 and 146 within three working days after it is informed of it.