

# **ARTICLES OF ASSOCIATION**

## **OF**

## **OF THE JOINT-STOCK COMPANY**

## **SOPHARMA – SOFIA**

## **CHAPTER ONE**

### **I. GENERAL PROVISIONS**

#### **STATUS**

**Art. 1./1/** The Company shall be a separate legal entity, independent from the shareholders.

*/2/ / Amended by resolution of the GM of 02.06.2005/* The Company is a public entity within the meaning of the Public Offering of Securities Act and has been registered at the Commission of Financial Surveillance.

*/3/* The Company shall be liable to its creditors with its property. The Company shall bear no responsibility for the liabilities of the shareholders.

#### **FIRM/COMPANY NAME/**

**Art. 2./1/** The name of the Company is Софарма /Joint-stock Company/ and it may be written in the Latin alphabet in the following way: SOPHARMA AD.

*/2/* The name, headquarters, registered office, data of the commercial registration and the bank account shall be written in the commercial correspondence of the Company.

#### **HEADQUARTERS AND REGISTERED OFFICE**

**Art. 3. /1/** The headquarters of the Company shall be in the Republic of Bulgaria, Sofia.

*/2/* The registered office of the Company shall be at 16 Iliensko Shose Str., Sofia.

#### **TERM**

**Art. 4.** The existence of the Company is not limited by any term.

#### **OBJECTS OF ACTIVITY**

**Art. 5.** The objects of activity of the Company shall be the manufacture of drugs and products of the chemical and pharmaceutical industry, commercial activity in this country and abroad, research activities in the field of phytochemistry, chemistry and pharmacy.

## CHAPTER TWO

### CAPITAL

**Art. 6.** */Decision of the GM of shareholders from 30.06.2003, of the EGM of shareholders from 29.09.2006, of the EGM of shareholders from 09.01.2015 and of the GM of shareholders from 10.02.2015/. The capital of the Company is BGN 134 797 899 /one hundred and thirty-four million, seven hundred and ninety-seven thousand, eight hundred and ninety-nine/ and has been fully paid in.*

### CAPITAL INCREASE

**Art. 7.** */1/ By a resolution of the General Meeting adopted with a majority of votes as per the effective legislative requirements, the capital of the Company may be increased by means of:*

*A/ New shares issue;*

*B/ Increase of the nominal value of shares already issued;*

*C/ Transfer of bonds into shares;*

*D/ Issue of rights and warrants in compliance with the requirements of the law. In the event of issue of warrants or rights, each shareholder shall have the right, within a period fixed by the General Meeting, to acquire part of them in proportion to his/her capital share possessed prior to the increase.*

*/2/ The resolution of capital increase shall specify relevant objectives, as well as the procedure under which such increase shall be performed.*

*/3/ / Cancelled by resolution of the GM dated 02.06.2005/*

**Art.8.** */1/ /Amended by resolution of the GM dated 26.06.2008/ In the event of any capital increase, each shareholder shall be entitled to acquire shares from the new issue in proportion to his/her share in the capital prior to the increase. This right shall be exercised within the term fixed by the GM, but at least one month after publication in the Commercial Register of an invitation for share subscription. The invitation for share subscription shall be published upon submission of the resolution for capital increase to the Commercial Register.*

*/2/ Shares not subscribed as per Par.1 above, shall be offered for subscription to the shareholders who have subscribed and paid in their part of shares in the capital increase. Any shares not subscribed under this procedure either shall be offered for sale on the stock market, if the General Meeting of shareholders does not adopt a resolution under Par.3 of Art. 8.*

*/3/ Where new shares have not been completely subscribed, the capital shall be increased only by the value of the subscribed shares, if this is explicitly provided in the General Meeting resolution for the increase.*

*/4/ Any capital increase on the condition that the shares should be purchased by specified persons at a fixed price and by non-monetary contributions, may take place only in the cases under Art. 113, Par. 2 of the Public Offering of Securities Act.*

### CAPITAL DECREASE

**Art. 9.** */1/ The capital of the Company may be reduced by a resolution of the General Meeting of shareholders through the procedures provided by the law.*

/2/ The capital of the Company shall not be reduced below the legal minimum for joint-stock companies.

/3/ The capital of the Company shall not be decreased by enforced invalidation of shares.

/4/ The resolution for capital decrease shall specify the relevant purpose and the procedure under which it shall be performed.

## CHAPTER THREE

### SHARES

**Art. 10.** /1/ */Decision of the GM of shareholders from 30.06.2003, of the EGM of shareholders from 29.09.2006, of the EGM of shareholders from 09.01.2015 and of the GM of shareholders from 10.02.2015/* The capital has been divided into 134 797 899 /one hundred and thirty-four million, seven hundred and ninety-seven thousand, eight hundred and ninety-nine/ registered, dematerialized shares with a nominal value of BGN 1/one/ each.

/2/ Shares shall be indivisible. When a share belongs to several persons they shall jointly exercise their rights over it and shall appoint their representative.

/3/ The shares of the Company shall be registered, dematerialized, freely transferable securities offered for public trade.

/4/ Each share shall give the right to one vote at the General Meeting of shareholders, the right to a dividend and to a liquidation quota proportional to the nominal value of the share.

/5/ The issue and disposal of registered, dematerialized shares shall be regulated by a document issued in conformity with the requirements of the law and certifying the rights over the shares.

### TRANSFER OF SHARES

**Art. 11.** /1/ *Amended by resolution of the GM dated 02.06.2005/* The exchange of registered dematerialized shares for bearer's shares and the imposition of restrictions on their transfer shall be acceptable after writing-off of the Company from the Register at the Commission of Financial Surveillance.

/2/ *Amended by resolution of the GM dated 02.06.2005, amended by resolution of GM of shareholders dated 29.06.2011./* Any transactions with registered dematerialized shares of the Company shall be made on the regulated securities markets through investment intermediaries, as well as in other ways as stipulated by law.

/3/ The transfer of registered dematerialized shares issued by the Company shall become effective as of the moment of transaction registration in the Central Depository Register certifying the rights over these shares.

/4/ In all cases not settled in the preceding paragraphs, the transfer of registered dematerialized shares shall be performed in conformity with the effective legislation.

### ACQUISITION OF OWN SHARES

**Art.11a** /new, approved at AGM, 21 June 2013/ /1/ The Company may acquire in any calendar year more than 3 percent of its own shares with voting rights in the case of reduction of capital through cancellation and repurchase of shares only under the terms and conditions of tender offer under art.149b of POSA. In this case the requirements for holding at least 5 per cent and minimum size of repurchase of 1/3 of the shares with voting rights shall not apply. In these cases the Company must notify the FSC about the number of treasury shares that it

intends to purchase within the limit of art.111, par.5 of POSA, and the investment intermediary who has the order to buy. The notification must be made no later than the end of the business day preceding the day of repurchase.

/2/ The Company may carry out repurchase of own shares without a tender offer by acquiring in a calendar year not more than 3 per cent of its own shares with voting rights, both after a decision by the General Meeting of Shareholders or by the Board of Directors for a term not exceeding eighteen months from the date of the decision of the respective authority of the Company. Repurchase of own shares by a decision of the Board of Directors may be conducted without special delegation of authority from the General Meeting of Shareholders for each particular case, and entirely under the powers of the Board of Directors as per the present regulation from the Articles for a period of up to two (2) years from entering of the present Articles in the Commercial Register by the Registry Agency.

/3/ The decision of the Board of Directors for the repurchase of own shares shall be taken by a majority of two thirds of the Board members. The decision of the Board of Directors for repurchase shall have the following content: minimum and maximum number of shares to be repurchased; the terms and conditions under which the Board of Directors shall conduct the purchase within a specified period not exceeding eighteen months from the date of the decision; the minimum and maximum share price for repurchase, and the investment intermediary, through which the repurchase will be conducted.

## **CHAPTER FOUR**

### **COMPANY MANAGEMENT**

**Art.12.** Management bodies of the Company shall be the General Meeting of Shareholders and the Board of Directors.

#### **GENERAL MEETING OF SHAREHOLDERS**

##### **MEMBERSHIP**

**Art.13.** /1/ The General Meeting of shareholders shall include the shareholders with a voting right.

/2/ The members of the Board of Directors shall participate in the General Meeting without voting rights, unless they are shareholders.

##### **COMPETENCE**

**Art.14** The General Meeting of shareholders shall have the exclusive competence to resolve on the following matters:

1. To amend and complement the Articles of Association of the Company;
2. To increase and decrease the Company capital;
3. To transform and wind up the Company;
4. To specify the number, to elect and dismiss members of the Board of Directors and determine their remuneration;
5. To appoint and dismiss chartered accountant/s/;

6. To approve the annual financial statement after certification by the appointed chartered accountant/s/;
7. To appoint the liquidators in the event of Company winding-up except in cases of insolvency;
8. To relieve the members of the Board of Directors from liability after accepting the report of its activities;
9. To resolve on the issue of bonds;
10. To distribute the profit;
11. */Amended by resolution of the GM dated 02.06.2005/* To grant the Board of Directors the power to conclude transactions under Art. 114, Par. 1 of the Public Offering of Securities Act.
12. To resolve on any other matters within its competence granted by law or by these Articles of Association.

## **CONDUCTING OF THE GENERAL MEETING**

**Art.15. /1/** The General Meeting shall be held at least once a year.

**/2/** The regular General Meeting of the Company shall be held by the end of the first half of the year after the end of the accounting year. The General Meeting of shareholders shall be held at the address of its headquarters.

**/3/** The General Meeting of shareholders shall elect a Chairman, Secretary and Vote-tellers, who may not be shareholders.

## **CONVENING**

**Art.16. /1/** */Amended by resolution of the GM dated 26.06.2007/* The General Meeting shall be summoned by the Board of Directors. It may also be summoned at the request of shareholders who for more than 3 months have been in possession of shares representing at least 5 per cent of the capital. If within 1 month of the request of the shareholders possessing at least 5 per cent of the capital, such request has not been satisfied, or if the General Meeting is not held within 3 months following submission of the request, the District Court of Law shall summon the General Meeting or shall empower the shareholders who have requested the convening or their representative, to summon the Meeting.

**/2/** */Amended by resolution of the GM dated 17.06.2016/* The summoning of the General Meeting shall take place in compliance with the requirements of Art. 223 and 223a of the Commercial Act and Art. 115, 118 of the Public Offering of Securities Act.

**/3/** If losses exceed  $\frac{1}{2}$  of the Company capital, the General Meeting of shareholders shall be held not later than three months from establishing the losses.

**Art.16a** */New, adopted by resolution of the GM of shareholders dated 29.06.2011/* (1) General Meeting of shareholders may also be held by use of electronic means, by means of one or more forms provided in the Public Offering of Securities Act, as well as by a combination of an attended meeting with any such form.

(2) Subject to observance of the requirements of the Public Offering of Securities Act, the right to vote at the General Meeting of shareholders may also be exercised before the date of the relevant meeting by correspondence, using a mail, including e-mail, courier or some other manner specified in the Rules for Voting by Electronic Means and Correspondence, adopted by the Company .

(3) Notwithstanding the options provided in these Articles of Association, The Board of Directors shall determine the procedure for holding the General Meeting of shareholders and the manner to exercise the voting right for each session of the General Meeting, and relevant

information shall be given to shareholders in the invitation for summoning the General Meeting.

(4) The rules for voting by electronic means and correspondence shall be adopted by the Board of Directors and shall be published on the Company's website.

**Art.16 b** /New, adopted by resolution of the GM of shareholders dated 29.06.2011/ The Company may use electronic means to submit information to shareholders, provided that the following conditions have been observed:

1. The use of electronic means is not dependent on the headquarters or registered address of shareholders or persons under Art.146, Par. 1, sub-pars. 1-8 of the Public Offering of Securities Act;
2. Identification measures have been taken so that the information is submitted actually to shareholders or persons entitled to exercise a voting right or determine the exercise of such right;
3. Shareholders or persons under Art. 146, Par. 1, sub-pars. 1-5 of the Public Offering of Securities Act, entitled to acquire, transfer or exercise the voting right, have stated explicit written consent to submit information by electronic means or have not stated explicit refusal to give such consent within 14 days of receipt of the request of the Public company for submission of such consent. At the request of persons under the preceding sentence, the Company shall be obliged to submit the information on hard copy as well;
4. Determination of expenses related to information submission by electronic means is not in conflict with the principle of equality underlying Art.110 b/ of the Public Offering of Securities Act.

## QUORUM

**Art.17** /Amended by resolution of the GM dated 02.06.2005/ The General Meeting shall be entitled to adopt resolutions if more than half of the capital is represented at its session, except where the law provides another type of quorum for certain resolutions. If there is no quorum, a new session of the GM of shareholders shall be appointed.

## REPRESENTATION AND ACCOUNTABILITY

**Art. 18** /1/ The shareholders may participate in the General Meeting personally or by an authorized representative. Several shareholders may authorize a joint representative.

/2/ /Amended by resolution of GM of shareholders dated 27.05.2009/ For participation in the General Meeting, each shareholder should produce an identification document as provided by law, certifying his/her rights over the shares possessed. The representatives of shareholders at the General Meeting shall establish their identity by explicit, written power-of-attorney containing the minimum information specified by a Regulation.

/3/ The shareholders – legal entities shall be represented at the General Meeting by their representative bodies or by persons specially authorized for the session.

/4/ A list of participating shareholders or of their representatives as well as of the number of possessed or represented shares shall be prepared for each session of the General Meeting. The shareholders or their representatives shall confirm their presence by their signatures. The list shall be certified by the Chairman and the Secretary of the General Meeting.

/5/ Minutes shall be kept during the session of the General Meeting, according to the requirements of Art. 232 of the Commercial Act.

/6/ The shareholders are entitled to get acquainted with the minutes and to receive copies-excerpts thereof.

**Art.18a.** The right to vote at the General Meeting of shareholders shall be acquired upon payment of the issue value of the share.

**Art.18 b.** The right to vote shall be exercised by persons who have acquired shares not later than 14 days prior to the date of the General Meeting.

## **CONFLICT OF INTERESTS. PROHIBITION OF EXERCISING OF VOTING RIGHTS**

**Art.18c.** */new, approved by AGM, 21 June 2013/* A shareholder cannot participate personally or by proxy at the voting on:

1. Bringing claims against them.
2. Taking actions or denial of actions related to the fulfillment of their obligations to the Company.
3. Taking a decision under art.114, par.1 of POSA, in the cases when they are an interested person as defined in POSA.

## **MAJORITY**

**Art.19.** */1/ /Amended by resolution of AGM, 30 June 2003; amended by EGM, 29 June 2006; amended by AGM, 21 June 2013/* The resolutions of the General Meeting under Art.14, Pars.1, 2, 3 and under Par.4 concerning the number, election and dismissal of members of the Board of Directors shall be adopted by a majority of 2/3 of the capital represented at the General Meeting. The resolutions under Art. 14, Par. 11, in cases of acquisition or disposal of assets of the Company, shall be adopted by a majority of 3/4 of the capital represented at the General Meeting, and in all other cases – by an ordinary majority of the capital represented at the General Meeting.

The quorum, wherever provided in these Articles of Association for adoption of resolutions by the General Meeting, shall be determined on the basis of capital represented at the Company's General Meeting.

*/2/* Resolutions of the General Meeting shall come into force immediately unless their effect is postponed. Resolutions under Art. 14, Pars. 1, 2, 3 and 4, concerning the number, election and dismissal of members of the Board of Directors, and Par. 7 shall be recorded in the Commercial Register and shall become effective after their entry.

## **BOARD OF DIRECTORS**

### **MEMBERSHIP**

**Art. 20** The Company shall be managed and represented by a Board of Directors. It shall consist of three to nine persons.

**Art. 21** */1/ /Amended by resolution of the GM dated 26.06.2007/* Members of the Board of Directors may be physical persons or legal entities meeting the requirements of Art. 234 of the Commercial Act and Art. 116a, Par. 2 of the Public Offering of Securities Act.

*/2/* If a member of the Board of Directors is a legal entity, it shall appoint a representative(s) to perform its obligations at the Board. Such legal entity shall bear joint and

unlimited liability together with the other Board members, in relation to obligations resulting from the activities of its representative.

/3/ The physical persons, who represent the legal entities - members of the Board of Directors, shall meet the requirements of Art. 234, Par. 2 of the Commercial Act.

/4/ Members of the Board of Directors shall not be persons who have been members of a management or supervisory body of a Company wound-up by reason of insolvency during the recent two years preceding the date of the bankruptcy decision, if any unsatisfied creditors have remained.

/5/ */new, approved by AGM, 21 June 2013/* Members of the Board of Directors shall not be persons who have been members of a management or supervisory body of a Company for whom it has been proven through a penal provision the breaching of obligations on reaching and maintaining the prescribed reserve levels under the Oil and Oil Products Reserves Act.

**Art.21a** */new, approved by AGN, 21 June 2013/* /1/ At least one third of the members of the Board of Directors must be independent persons.

/2/ The independent member may not be:

1. an employee in the public company;
2. a shareholder, who holds directly or through related parties at least 25% of the votes of the General Meeting or is a person, related to the company;
3. a person who has a long-term business relation to the public company;
4. a member of a managing or supervisory body, a procurator or an employee of a company or other legal person under item 2 and 3;
5. a person related to another member of a managing or supervisory body of the public company.

/3/ Persons, elected as members of the Board of Directors, for whom the circumstances under par.2 become applicable after the date of their election must notify the Board of Directors immediately, stop exercising their functions and cease receiving a remuneration.

/4/ Candidates for elective position shall prove the absence of circumstances under par.2 through a declaration that becomes part of the written materials for the General Meeting, the agenda of which includes the election of members of the Board of Directors. The persons mentioned in the previous sentence shall confirm the veracity of the documents submitted to the General Meeting at which their election is proposed.

/5/ In the election of the independent members of the Board of Directors the capital represented at the General Meeting shall include shares held by persons under par.2, items 1-5 only if other shareholders do not participate and are not represented at the General Meeting.

## **MANDATE**

**Art.22.** /1/ The members of the Board of Directors shall be elected for a period of up to 5 (five) years.

/2/ The members of the Board of Directors may be reelected without any restrictions.

## **FUNCTIONS**

**Art.23.** /1/ The Board of Directors shall adopt the rules governing its functions, and shall elect a Chairman and Deputy Chairman among its members.

/2/ The Board of Directors shall be summoned for regular meetings at least once every three months to discuss the current state and development of the Company.



/3/ Each member of the Board of Directors may ask the Chairman to summon a meeting for discussion of some specific matters. In such cases, the Chairman shall be obliged to summon a meeting and to send notifications within a week prior to the date of the meeting, except if an urgent matter requires summoning of a meeting within a shorter term.

/4/ Notifications shall specify: the place, date and hour of the meeting and the proposed agenda.

/5/ No notification as per the foregoing paragraph shall be required if the members of the Board of Directors have been informed at the last meeting about the place, date, hour and agenda of next meeting.

/6/ */Amended by resolution of the GM dated 17.06.2016/* Minutes shall be kept about the decisions taken by the Board of Directors and shall be signed by all attending members. The minutes from the Board meetings shall be a trade secret. Any facts and circumstances of such minutes may be published, announced and brought to the knowledge of third parties only by a decision of the Board of Directors, as well as under the circumstances provisioned by law.

## **RIGHTS AND RESPONSIBILITIES**

**Art.24./1/** The members of the Board of Directors shall have equal rights and responsibilities, irrespective of:

/A/ The internal distribution of functions between the Board members;

/B/ The regulations granting management and representative powers to the executive members.

/2/ The Board members shall fulfill their obligations in the interest of the Company and shall keep its secrets even after they cease to be Board members.

/3/ */Amended by AGM, 29 June 2011; amended by AGM, 21 June 2013/* The members of the Board of Directors shall be entitled to a remuneration, the form, amount and term of which shall be determined by decision of the General Meeting in conformity to the following principles:

A/ The general Meeting shall determine the amount of the permanent monthly remuneration of the members of the Board of Directors;

B/ */amended by AGM, 21 June 2013/* In case of a positive financial result /profit/ and by decision of the General Meeting, the Executive Director is entitled to receive a one-time bonus of up to one percent of the net profit of the Company.

C/ */Amended by AGM, 21 June 2013/* Payment of not less than 40% of the remuneration referred to in item B/ shall be deferred for a period of time specified in the approved by the General Meeting Remuneration Policy for members of the Board of Directors, but not less than 3 years. The Company shall determine what portion of the payment to defer depending on its relative weight compared to the fixed salary under item A/.

## **COMPETENCE**

**Art. 25** The Board of Directors shall:

1/ Prepare and submit for approval by the General Meeting the annual report on the activity of the Company, the annual financial statement as well as draft resolutions within the competence of the General Meeting;

2/ Approve plans and programs for the activity of the Company;

3/ Approve the organizational and managerial structure, approve the rules of intra-company accounts; salaries and the other internal rules of the Company;

4/ Approve the formation of the cash funds and specify the procedure for their accrual and disbursement;

5/ Propose to the General Meeting any capital increase or decrease, any amendment of and/or amendments to the Articles of Association, changes in the Board of Directors membership, dismissal and election of a new Board;

6/ Decide on winding-up or transfer of undertakings or of substantial parts thereof, significant changes in the activity of the Company, considerable organizational changes, long-term cooperation of essential importance for the Company as well as the establishment of Company branches;

7/ Conclude credit agreements;

8/ Conclude transactions as a result of which assets the total value of which exceeds 50% of the balance-sheet value of Company assets, shall be transferred or granted for use to other persons only upon explicit authorization by the General Meeting.

## **QUORUM AND MAJORITY**

**Art.26. /1/** The Board of Directors may hold a meeting and adopt resolutions if at least half of its members are present in person or represented by another member of the Board. Each attending member may represent only one absent member.

**/2/** The Board of Directors may adopt decisions in non-attendance if all its members have confirmed in writing their approval of such decisions.

**/3/ /Amended by AGM, 17 June 2016/** The Board of Directors shall adopt resolutions by a simple majority, unless qualified majority is required by the relevant provisions of the Commercial Act or by these Articles of Association.

## **QUALIFIED MAJORITY DECISIONS**

**Art. 26a. /new, approved by AGM, 21 June 2013/** The following decisions of the Board shall require a majority of two thirds of its members to be valid:

1. Conclusion of a single or series of transactions for the acquisition and/or disposition of long-term fixed assets from and/or in favor of one person or related persons, the total cost of which exceeds 1 million EUR in a calendar year;

2. Conclusion of transactions related to sale and/or other forms of disposition of participations and/or shares, and/or businesses of companies in which the Company participates;

3. Conclusion of investments, related to the buying and/or acquisition of participations and/or share, and/or businesses of companies;

4. Takeover of liabilities and/or pledging of assets of the Company and/or of part and/or the whole of its business and/or securing of liabilities to a person or related persons, the amount of which exceeds 1 million EUR in a calendar year;

5. Provision for use and/or rental to a person and/or related parties of long-term fixed assets of the Company at a value exceeding 1 million EUR in a calendar year;

6. Conclusion of transactions with related parties pursuant to art.114, par.2 of POSA, for which no prior authorization by the General Meeting of Shareholders is required.

7. Election of executive members of the Board of Directors, who shall only represent the Company jointly;

8. Proposal for election and dismissal of auditors of the Company and approval of the annual financial statements of the Company.

9. Proposal for the distribution of the profit.

10. Approval for issuing of bonds.
11. Determining and change of the persons authorized to sign on behalf of the Company, the delimitation of the right of signature, determining the bonuses for the staff of the Company.
12. Decision to authorize the Executive Director to determine the group of employees to receive a bonus amounting to of 2% of the profit of the Company for each separate financial year. This decision shall be taken based on a decision by the General Meeting of Shareholders for determining the specific amount of the bonus, which shall be taken at a Meeting, at which the relevant audited annual financial statements have been approved and a positive financial result /profit/ is present.

## **LIABILITY AND ACCOUNTABILITY**

**Art.27. /1/** The members of the Board of Directors shall deposit guarantees of their management to the amount determined by the General Meeting of shareholders, but not less than their gross quarterly remuneration.

**/2/** Members of the Board of Directors shall be jointly liable for damages suffered by the Company through their fault. Each member may be relieved of liability if it is established that he/she is not guilty for such damages.

**/3/** The Board of Directors shall report on its activities before the General Meeting of shareholders.

**/4/** The persons who possess individually or jointly at least 5% of the capital of the public Company shall, in case of inaction of its management bodies which may jeopardize the Company interests, be entitled to bring Company claims against third persons before the court. The Company shall be summoned as a party to the court action. The Company shall be summoned as a party to the court action.

**/5/** The persons under Par. 4 above may lodge a claim before the County Court, having jurisdiction over the Company, for indemnification of substantial damages inflicted to the Company intentionally or as a result of gross negligence due to the activity or inactivity of management body members. Such claim shall be lodged within 14 days from establishment of damages, but not later than one year from the relevant act or the beginning of inaction, respectively.

## **EXECUTIVE DIRECTOR**

**Art.28. /1/** The Board of Directors shall elect from among its members one or more executive members – Executive Directors, and shall empower them to represent the Company. Such empowerment may be withdrawn at any time.

**/2/** The executive members are obliged to inform immediately the Chairman of the Board of Directors of any events of substantial importance for the Company.

**/3/** The Executive Directors shall have the right to perform any actions and make transactions related to the activity of the Company and not within the competence of the General Meeting and the Board of Directors, to represent the Board and to authorize third persons for the execution of certain activities.

**/4/** The Executive Directors shall:

- /A/ Organize the performance of the decisions of the Board of Directors;
- /B/ Organize the activities of the Company, accomplish its operational management, ensure the safe-keeping and protection of its property;
- /C/ Conclude the employment contracts with the Company employees and workers;
- /D/ Represent the Company and execute the functions assigned to them by a legislative act or by decisions of the Board of Directors.

*/E/ /new, decision by AGM, 29 June 2011/; canceled by AGM, 21 June 2013/*

**/5/** The Chairman of the Board of Directors shall sign on behalf of the Company a contract with the Executive Directors, where their specific rights and responsibilities, their remunerations, insurances and other provisions shall be specified.

## **INVESTOR RELATIONS DIRECTOR**

**Art.28a.** */new, decision by AGM, 21 June 2013/* **/1/** The Company shall appoint on a labor contract Investor Relations Director, who shall have appropriate qualifications and experience to carry out their duties and cannot be a member of the Board of Directors or a procurator of the Company.

**/2/** The Investor Relations Director shall:

1. Facilitate effective relationship between the Board of Directors and the Shareholders of the Company, as well as with persons who have expressed interest in investing in the shares of the Company by providing them with information about the current financial and economic condition of the Company and any other information to which they are entitled by law in their capacity as shareholders or investors;

2. Be responsible for sending within the statutory deadline the materials for the Annual General Meeting to all shareholders who have made a request to acquire them, as well as presenting them on-site as specified in the invitation to the General Meeting.

3. Take and keep accurate and complete records of the meetings of the Board of Directors of the Company.

4. Be responsible for the timely submission of all required reports and notifications of the Company to the Financial Supervision Commission, the regulated market on which the shares of the Company are traded, the Central Depository and national dailies, listed in the prospectus for the public offering of the shares of the Company;

5. Keep a register of submitted documents under items 2 and 4, as well as the received requests and the provided information under item 1, describing the reasons in case of failure to provide information.

**/3/** The Investor Relations Director shall report annually in front of the Annual General Meeting of Shareholders of the Company.

**/4/** As Investor Relations Director shall not be appointed persons who:

1. have been members of a company or cooperation terminated due to bankruptcy in the past two years preceding the date of the declaration of bankruptcy, if unsatisfied creditors remain;

2. as at the date of appointment have been convicted with an effective sentence for crimes against the property, of economic type or against the financial, tax or social security system, committed in the Republic of Bulgaria or abroad, unless they have been exonerated.

**/5/** The Investor Relations Director shall be required to:

1. fulfill their duties with due diligence and in a manner, in which they reasonable believe is in the interest of all Shareholders of the Company and by using only the information, about which they reasonable believe that is complete and authentic.

2. be loyal to the Company by:

a) consider the interest of the Company before their own interest;

b) avoid direct or indirect conflicts between their own interest and the interest of the Company, and if such conflicts arise – to timely and completely disclose them in writing before the Board of Directors without exercising influence on the members of the Board of Directors in taking decisions in such cases.

c) not disclose non-public information about the Company including after they cease to be Investor Relations Director until the public disclosure of the respective information by the Company.

## **CHAPTER FIVE**

### **ANNUAL CLOSING OF ACCOUNTS**

**Art. 29. /1/** */Amended by resolution of the GM dated 26.06.2007; amended by resolution of the GM dated 17.06.2016 /* By 31 March every year, the Board of Directors shall prepare the annual financial statement of the preceding year and an annual report on Company activities and shall submit them to the auditor, appointed by the General Meeting. The Financial statements and the Management report shall be prepared in accordance with the requirements of Art. 247 of the Commercial Act and the Accounting Act.

**/2/** */Amended by resolution of the GM dated 17.06.2016/* The annual financial statement shall be audited by the appointed auditor with regard to its compliance with the requirements of the Accounting Act, the applicable standards and the Articles of Association of the Company. The annual financial statement shall not be approved by the General Meeting without an audit by an auditor.

**/3/** */Amended by resolution of the GM dated 17.06.2016/* Upon submission of the report by the auditor, the annual financial statement, the annual report on the activities and preparation of the proposal for profit distribution, the Board of Directors shall decide on the convening of a regular annual session of the General Meeting of shareholders.

**/4/** */Amended by resolution of the GM dated 17.06.2016/* The audited and approved annual financial statement shall be submitted to the Commercial Register in compliance with the terms and rules, provisioned by the Accounting Act and the Commercial Register Act.

### **DISTRIBUTION OF PROFIT**

**Art. 30. /1/** */Amended by resolution of the GM dated 26.06.2007/* Dividends shall be paid out only where, according to the annual financial statement for the relevant year audited and approved as per Section XI of the Commercial Act, the net value of assets, depreciated with the value of the dividends subject to payment, is not less than the sum of the capital of the Company, the Reserve Fund and the other funds which the Company is obliged to form in compliance with the law or the Articles of Association. The net value of the assets within the meaning of the foregoing sentence shall be the difference between the value of the rights and liabilities of the Company according to its balance sheet.

**/2/** Payments shall be made up to the sum of the profit for the respective year, the undistributed profit for previous years, the part of the Reserve Fund and the other funds of the Company which exceed the minimum determined by law or by the Articles of Association of the Company, depreciated with the uncovered losses from previous years and discounts for the Reserve Fund and for the other funds that the Company is obliged to form in compliance with the requirements of the law or the Articles of Association.

/3/ By resolution of the General Meeting, a part of the profit subject to distribution may be allocated to specific target funds of the Company.

/4/ The decision on the amount, procedure and method of payment of the dividends shall be made by General Meeting of shareholders.

/5/ */New, resolution of the GM dated 23.02.2018/* The Company may pay an interim dividend on the basis of a 6-month financial statement under the terms of Article 115c of the Public Offering of Securities Act and with the corresponding application of Article 247a of the Commerce Act and the provisions of the Articles of Association. The right to distribute a dividend on the basis of a 6-month financial statement is extinguished upon deletion of the Company from the register of public companies held with the Financial Supervision Commission.

/6/ *Previous para 5, /Amended by resolution of the GM dated 23.02.2018/* The right to receive a dividend shall be entitled to the persons entered in the registers of the Central Depository as such with a right to dividend on the 14th day after the date of the General Meeting at which the annual and 6-month financial statements have been adopted and the decision for the distribution of the profit was taken.

/7/ *Previous para 6, /Amended by resolution of the GM dated 23.02.2018/* The Company is obliged to pay out the voted dividend to the shareholders within 60 days of the holding of the General Meeting. The payment of the dividend is made with the assistance of the Central Depository by a financial institution defined by the Company.

## **RESERVE FUND**

**Art. 31.** /1/ The Company shall form a Reserve Fund by accumulating funds from the following sources:

/A/ Such part of the profit determined by General Meeting of shareholders, but not less than 10% of its total amount after taxation;

/B/ The funds acquired over the nominal value of the shares after their sale;

/C/ Other sources as per resolutions of the General Meeting.

/2/ The funds of the Reserve Fund may be used only for:

/A/ Covering the annual loss;

/B/ Covering losses from the previous year;

/C/ If the Reserve Fund exceeds 1/10 of the capital, the greater part may also be used for capital increase.

/3/ Deductions from the Reserve Fund may be discontinued when it reaches 25% of the nominal value of the capital.

/4/ Other cash funds may also be formed by a decision of the Board of Directors.

## **COVERING OF LOSSES**

**Art. 32.** /1/ The losses in the annual balance sheet or from previous years may be covered by the Reserve Fund.

/2/ When the actual value of the capital falls below the nominal one, the General Meeting of shareholders may adopt a resolution to cover the loss by additional contributions. Such resolution shall oblige the shareholders who have voted positively. The shareholders who have voted against it may declare acceptance of the resolution till the end of the same session.

/3/ The shareholders who have made additional contributions shall have the right - at the expense of dividends of shareholders who have failed to make additional contributions – to receive the part of the covered loss in proportion to the shares of the latter.

/4/ If no decision for additional contributions is made in the case under Par.2, the General Meeting shall adopt a resolution for registration of the actual value of the capital, and if the capital is below the minimum permissible amount over a period of one year, the Company shall be wound up either by liquidation or by transformation into a limited liability Company in which the shareholders shall acquire equities in proportion to the shares they own.

## **CHAPTER SIX**

### **TRANSFORMATION AND TERMINATION OF THE COMPANY**

#### **TRANSFORMATION OF THE COMPANY**

**Art. 33. /1/** The Company may be merged into another Company, to be split, to separate another Company from itself or to participate in the establishment of another Company by merger.

/2/ Transformation shall be performed in conformity with the provisions of the Public Offering of Securities Act, the Commercial Act and the other legislative acts governing the Company.

#### **WINDING-UP OF THE COMPANY**

**Art. 34. /1/** The Company shall be wound-up:

/A/ By a resolution of the General Meeting of shareholders;

/B/ If declared bankrupt;

/C/ By a court decision made under prosecutor's charges if the Company is pursuing goals forbidden by law;

/D/ When Company capital falls below the legal minimum over a period of one year. If within this period the General Meeting fails to adopt a resolution for its winding-up, then the Company shall be wound up through the procedure of item (C);

/E/ In any other cases provided by law.

## **LIQUIDATION**

**Art.35. /1/** Upon Company winding-up other than in case of insolvency, the Company shall be subject to liquidation.

/2/ The liquidators of the Company shall be appointed by resolution of the General Meeting.

/3/ The liquidators shall prepare an initial balance sheet and an explanatory report reflecting the state of the Company as at the date of the resolution for winding-up.

/4/ At the end of each year, the liquidators shall prepare an annual balance sheet and report on their activities and shall submit them to the General Meeting for adoption.

/5/ After property cash-in and satisfying of creditors, the remainder shall be distributed among the shareholders in proportion to the shares owned by them and according to the distribution principle approved by the General Meeting.

## **CHAPTER SEVEN**

### **ADDITIONAL PROVISIONS**

**Art. 36 /1/** The provisions of the Commercial Act, the Public Offering of Securities Act and the legislation effective in the Republic of Bulgaria shall be applied to all matters not treated in these Articles of Association.

**/2/** Upon legislative changes, the next General Meeting of shareholders shall adopt a resolution for amendment of the Articles of Association in order to bring their provisions in compliance with to effective legislative regulations. Till the adoption of such resolution, the relevant texts of the Articles of Association shall be interpreted in conformity with the Constitution and the laws of this country.

**/3/** Any changes in the effective legislation which cancel or alter imperative provisions of these Articles of Association shall not lead to the invalidity of the Articles of Association as a whole.

---

*The text of these Articles of Association reflects the changes adopted by decisions of the General Meeting of Shareholders dated 30 June 2003, 02 June 2005, 29 September 2006, 26 June 2007, 26 June 2008, 27 May 2009, 29 June 2011, 21 June 2013, 9 January 2015 and minutes of the meeting of the Board of Directors from 10 February 2015; 17 June 2016; 23 February 2018.*

**Executive Director:**

**/Ognian Ivanov Donev/**