

REGULATIONS ON THE PROCEDURES FOR EXERCISING THE RIGHTS OF THE STATE IN COMPANIES WITH STATE PARTICIPATION IN THE CAPITAL

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Section I

General

Article 1. These Rules shall regulate the procedures for exercising the rights of the state on stock or shares of companies.

Article 2. The Council of Ministers shall exercise the rights of the state in companies with state participation in the capital under the conditions, following the procedures and through the bodies specified in the Regulations.

Section II

Formation, transformation and dissolution of companies with state participation in the capital and transformation and dissolution of state-owned enterprises not transformed into companies

Article 3. (1) The Council of Ministers may form single-member limited liability companies with state participation in the capital and single-shareholder joint-stock companies with state participation in the capital under the Commerce Act and to decide on the participation of the state in the capital of joint stock companies and limited liability companies.

(2) (Amended, SG No. 15 / 2007) The assessment of the contribution in kind of the state to the capital of companies with more than 50 per cent of state participation shall be carried out under the procedure of Chapter VII of the Regulations for the Application of the State Property Act (SG, No. 78 / 2006).

Article 4. (1) The transformation or dissolution of sole owner companies with state participation in the capital shall be carried out by the Council of Ministers or by the ministers according to their sectoral competence.

(2) (Amended SG No. 64 / 2017, effective 8.08.2017) Transformation or dissolution of companies with more than 50 per cent state ownership of the capital shall be carried out with the consent of the Privatization and Post-privatization Control Agency only , except in cases of declaration of bankruptcy.

(3) (Amended SG No. 64 / 2017, effective 8.08.2017) Companies with state participation in the capital of 34 per cent or more shall not be allowed to reduce this participation without the consent of the Privatization and Post-privatization Control Agency.

Article 5. (1) The transformation of state-owned enterprises into sole-owner companies by distribution of the property provided to them by the state in stock or in shares according to the provisions of the Commerce Act shall be carried out by the Council of Ministers or by the ministers according to their sectoral competence.

(2) Upon transformation of state-owned enterprises into sole-owner companies, the property provided for the operation of these enterprises shall be transferred to the ownership of these companies by the act of transformation, unless otherwise provided therein.

Article 6. Dissolution of state-owned enterprises not transformed into companies shall be carried out by decision of the Council of Ministers or of the Ministers according to their sectoral competence.

Section III

Bodies of companies with state participation in the capital

Article 7. (1) Bodies of single member limited liability companies with state participation in the capital shall be:

1. the sole owner of the capital;
2. the managing director (managing directors).

(2) Bodies of the single shareholder joint stock companies with state participation in the capital are:

1. the sole owner of the capital;

2. the board of directors (in a one-tier system) or the supervisory and management boards (in a two-tier system).

(3) The bodies of the companies in which the state is a partner or a shareholder shall be formed under the conditions and procedure of the Commerce Act.

Article 8. (1) The Council of Ministers or the Ministers shall exercise the rights of the state in companies with state participation in the capital according to their sectoral competence.

(2) The rights of the state in single owner companies with state participation, which participate in joint ventures with foreign participation in implementation of international agreements, shall be exercised by the Council of Ministers or by a minister authorized by it.

Article 9. The decisions of the sole owner of the capital shall be formed according to the requirements of the Commerce Act.

Article 10. (1) In companies in which the state is a shareholder or a partner, the respective Minister in accordance with his sectoral competence or a person authorized by him in writing shall represent the state in the general meeting of the company.

(2) In the cases of paragraph 1, where the joint stock company is public, the power of attorney of the representative of the state to participate in the general meeting shall be with a notary validation of the signature of the principal and with a minimum content according to the legislation.

Section IV

Competence of the bodies of sole owner companies with state participation in the capital

Article 11. The single owner of the capital of single member limited liability companies shall:

1. amend and supplement the constitutive act of the company;
2. adopt decisions for the admission of partners;
3. transform and dissolve the company;
4. (Amended SG, No. 64 / 2017, effective 8.08.2017) accept the annual financial statement, decide on the distribution of the profit and its payment and on the payment of bonuses and their amount;
5. adopt decisions for capital reduction and increase ;
6. elect the managing director, determine his remuneration and discharge him;
7. appoint a comptroller and determine his remuneration;

8. (Amended SG, **No. 64 / 2017**, effective 8.08.2017) elect and release a registered auditor of the company;
9. adopt decisions for opening or closing of branches and for participation in other commercial or civil companies;
10. adopt decisions for acquiring and disposing of real estates and property rights over them;
11. adopt decisions for acquiring or disposing of stock or shares - ownership of the company in other companies as well as for acquiring or disposing of long-term financial assets of the company abroad;
12. adopt decisions to raise any company claims against the managing director or comptroller and appoint counsel to conduct litigation against them;
13. adopt decisions for additional monetary contributions;
14. authorize crediting of third parties and provision of collateral in favour of third parties; entering into a judicial or extrajudicial agreement that recognizes debt or waives debt;
15. Issue authorization for dispositions of fixed assets, for renting of real estates with a book value exceeding 5 per cent of the total carrying amount of the fixed assets at 31 December of the previous year; for concluding credit agreements, for joint activities, for assuming promissory notes;
16. (Amended SG, **No. 64 /2017**, effective 8.08.2017) approve the choice of an insurer prior to the conclusion of the property insurance contracts;
17. authorize the formation of a mortgage and a pledge of fixed assets of the company;
18. appoint liquidators upon dissolution of the company;
19. determine the amount of indemnity for the owners of nationalized properties, which they receive in the cases under Article 18 of the abrogated Law on transformation and privatization of state and municipal enterprises (LTPSME) and the Law on indemnification of owners of nationalized properties (LIONP);
20. decide any and all other issues within its competence under the law and the constitutive act.

Article 12. The sole owner of the capital in single-shareholder joint stock companies with state participation shall:

1. amend and supplement the Articles of Association of the company
2. increase and reduce the company capital;
3. transform and dissolve the company;

4. elect and release the members of the board of directors, of the supervisory board respectively and determine their remuneration;
5. (Amended– SG, **No. 64 /2017**, effective 8.08.2017) elect and release a registered auditor;
6. (Amended–SG, **No. 64 /2017**, effective 8.08.2017) approve the annual financial statements after certification by the appointed registered auditor;
7. decide on the issuance of bonds;
8. appoint liquidators upon dissolution of the company except in case of insolvency;
9. grant the members of the Supervisory Board, the Management Board and the Board of Directors discharge;
10. adopt decisions to open, transfer or close down branches of the enterprise or significant parts of the enterprise;
11. determine the amount of indemnity of the owners of nationalized properties, which they receive in the cases under Article 18 of the abrogated LTPSME and under the LONP;
12. (Supplemented - SG, **No. 64/2017**, effective 8.08.2017) Give authorisation for the disposal of fixed assets and establishing real estate rights; for renting real estate with a book value exceeding 5% of the total carrying amount of fixed assets at 31 December of the previous year; for acquiring or disposing of stock or shares - ownership of the company in other companies; for signing credit agreements; for cooperative activities; for taking on bills of exchange; for securing receivables - establishment of a mortgage and pledge of fixed assets of the company; for providing collateral in favour of third parties; for entering into a judicial or extrajudicial agreement that recognizes debt or waives debt;
13. (Supplemented - SG, No. 103 of 2008, effective 2.12.2008, amended - No. 64/2017, effective 8.08.2017) If not otherwise provided for in the Articles of Association, it shall authorize: a substantial change in the company's business; substantial organizational changes; long-term cooperation essential to the company or termination of such cooperation and shall approve the choice of an insurer prior to the conclusion of property insurance contracts;
14. decide on the distribution of the profit and its payment and the payment of bonuses and their amount;
15. decide any and all other issues within its competence under the law and the Articles of Association.

Article 13. In cases where the Council of Ministers exercises the rights of the state as the sole owner of the capital of companies, the respective minister, according to his sectoral competence, shall exercise the powers referred to in Article 11, item 19, Article 12, item 11 respectively.

Article 13a. (New, SG No. 54/2006) Where a company with a state participation in the capital grants concessions pursuant to the Concessions Act, the powers of a concession provider shall be exercised by the authority exercising the rights of the state in its capital in accordance with Article 8 and the powers of an authority under Article 6, paragraph 1 of the Regulations for the Implementation of the Concessions Act shall be exercised by a body determined by the statute of the company.

Section V

Special rules for the conclusion of certain types of contracts

Article 13b. (New, SG No. 49/2013) (1) Companies with more than 50% state participation in the capital, including medical establishments, shall conclude contracts for financial services with credit or financial institutions within the meaning of the Credit Institutions Act, in compliance with the Rules for selection of a contractor for the provision of financial services by credit or financial institutions in accordance with Annex 3.

(2) (Amended SG No. 70/2015, effective 11.09.2015) The rules in Annex 3 shall not apply to companies with state participation in the capital that are credit or financial institutions within the meaning of the Credit Institutions Act or whose main subject of activity is the management of financial instruments under the programs co-financed by the European structural and investment funds and other initiatives of the European Union.

(3) Where the financial service is the subject of a public procurement contract, the contracting entities within the meaning of the Public Procurement Act shall also apply the rules set out in Annex 3 in the Rules for Concentration, Accountability and Control.

Article 14. (1) (Amended SG No. 103/2008, effective 02.12.2008, **No. 64/2017**, effective 8.08.2017) Conclusion of contracts for sale, exchange and renting out of fixed assets, for property insurance of sole owner companies with state participation in the capital, with the exception of those under Article 5, paragraph 4, items 1 and 2, which carry out one or several sectoral activities within the meaning of Article 123 of the Public Procurement Act, shall be carried out after a tender or competition is performed under the terms of the Regulations.

(2) (Amended SG, **No. 64/2017**, effective 8.08.2017) The starting price for the tender and the competition for sale, exchange and lease of fixed assets shall be determined by an independent valuer appointed by the trader.

(3) The tender or the competition shall be opened after the fulfillment of the special requirements of the Regulations, the Memorandum of Association, the Articles of Association or the constitutive act.

(4) (New - SG No. 59/2003, repealed by Ruling 8260 of the SAC of the Republic of Bulgaria, No. 79/2005).

Article 15. (1) The tender shall be opened by a decision of the trader, which shall contain:

1. description of the object;
2. (Supplemented - SG, No. 15/2007) starting price and bidding step, which cannot be less than 1 per cent and more than 10 per cent of the starting price;
3. (Supplemented - SG, No. 15/2007) type of the tender - by closed or by open bidding, and in case of a closed bidding tender - the type of the meeting - open or closed;
4. method of payment;
5. date, place and time of the tender;
6. (Supplemented - SG, No. 15/2007) procedure for receipt or purchase of the tender documentation, amount and method of payment of its price and the place to be received, as well as amount of the deposit, if so provided, its maximum amount cannot exceed 50 percent of the starting price;
7. conditions for object inspection;
8. (Amended SG, No. 15/2007) the deadline for accepting applications to participate;
9. special requirements for the participants when required by the type of the object and other tender conditions;
10. day, place and time of the re-tender;
11. (Amended SG, No. 15/2007) decision for approval of the tender documentation.

(2) (Supplemented - SG, **No. 64/2017**, effective 8.08.2017) The conditions of the tender under paragraph 1, item 1 - 10 shall be announced by a notice in at least one daily newspaper at least 14 days before the date of the tender. On the day of submission of the notice for publication in the relevant daily newspaper at the latest, the trader shall submit a copy thereof to the Ministry of Economy for disclosure on the Ministry's website.

(3) (Repealed - SG, No. 15/2007).

(4) (Repealed - SG, No. 15/2007).

Article 15a. (New - SG, No. 15 of 2007) (1) The commission for the tender shall be determined by the trader and shall consist of 3 to 7 members and shall include a lawyer in its composition. Two alternate members and the remuneration of commission members shall also be determined in the order for appointment of the commission.

(2) The work of the tender commission and all the circumstances of the tender shall be reflected in a protocol signed by all its members.

Article 15b. (New, SG No. 15/2007) (1) The registration of the participants in the tender shall be done by the tender commission on the announced day and time for opening of the tender. In the event of a refusal to participate in the tender after registration, deposit paid shall not be reimbursed to the participant.

(2) Following the registration, the commission shall examine the applications in the order of their receipt and shall ascertain the regularity of the documents submitted. In case of incompleteness of the submitted documents or of non-compliance with the requirements specified in the tender documentation, the commission shall remove the irregular candidate from participation.

Article 15c. (New - SG, No. 15 of 2007) The tender may take place also when only one application is submitted. In the event that only one candidate is present at the tender, the tender will be postponed for two hours, and if there is no other candidate after that time, the candidate shall be declared to have won at the price he has offered, which can not be lower than the initial tender price. Where no candidates appear at the tender, it shall be declared not to have been carried out and shall be re-conducted within one month's time in accordance with Article 15, paragraph 1, item 10. When only one bidder appears on the re-tender, he is declared to have won at the price offered by him / her, which can not be lower than the initial tender price.

Article 15d. (New, SG No. 15/2007) In the event of circumstances that make impossible the opening of the tender or its completion, the commission shall draw up a protocol on the basis of which the trader shall determine the carrying out of a new tender.

Article 15e. (New, SG No. 15/2007) (1) An open bidding tender shall be carried out by submitting in advance a written application by the participant or by a person authorized by him within the term under Article 15, paragraph 1, item 8, which shall be entered in a special register where an entry number, date and time of entry shall be recorded.

(2) In an open bidding tender, the Chairman shall announce the object of the tender, the starting price from which the bidding begins and the bidding step.

(3) Bidding shall be performed by announcements pronounced aloud by the participants of successive amounts above the starting price, distinguished by the Chairman of the Commission with a sound signal. Each increase must be equal to the bidding step.

(4) Participants shall declare the sums they offer loud and clear. The amount announced by the participant binds him / her to the commission and other bidders without the right to refer to an error.

(5) Prior to the third announcement of the last offer, a warning is given that it is the last one and, if there are no other offers, the bidding ends with a sound signal from the chairman who announces the successful bidder, the final price offered and closes the tender.

(6) In case the tenderers confirm the initial bidding price but none of them announces the next price higher than the initial one, the tender shall be cancelled and the deposits they have paid for participation in the tender shall not be refunded. The deposit of a participant who is announced to be the successful bidder of the tender but refuses to pay the price offered shall also not be reimbursed.

(7) The bidder who has offered the highest price shall be the successful bidder of the tender. He shall have to pay the price offered within the terms and conditions of the tender. In case of non-performance, the participant, who proposed the price next in size shall be declared the successful bidder.

Article 15f. (New, SG No. 15/2007) (1) A closed bidding tender shall be carried out by submitting in advance a written application by each participant in a sealed opaque envelope within the time limit under Article 15, paragraph 1, item 8. The envelope shall bear the name of the participant or the name of the authorized person and the full name of the object of the tender. In addition to the tender documents, the envelope must also contain the price offer, placed in a small sealed and opaque envelope.

(2) On the day of the tender, the commission shall unseal the envelopes submitted, check whether the conditions for participation in the tender have been met and declare the documents submitted to be valid.

(3) The price proposals shall be signed by each member of the tender commission. Regular applications shall be ranked according to the amount of the price proposed.

(4) In the event of the same highest bid being offered by more than one bidder, the tender shall continue between them by an open bidding, the bidding starting with the bid price and the bidding step determined in accordance with Article 15, paragraph 1, item 2.

(5) The tender shall be deemed to have been won by the tenderer who has offered the highest price of all participants and the tender shall be closed.

Article 16. (1) The decision of the trader to conduct a competition shall contain:

1. description of the object of the contest;
2. initial price;
3. general and special conditions of the competition and requirements towards the participants;
4. if a fee for the receipt of the tender documentation is provided, the decision shall contain its amount, the place and the time limits for receipt or purchase of the tender documentation and for submission of proposals of the participants in the contest, as well as the possible amount of the deposit for participation;
5. time and the way of viewing the object;
6. an exhaustive list of the documents to be submitted by the candidates;
7. other conditions of the seller in accordance with the objectives of the contest;
8. the composition of the selection board and decision for approval of the tender documentation.

(2) (Supplemented - SG, **No. 64 of 2017**, effective 8.08.2017) The decision under paragraph 1, item 1-7 shall be published in at least one daily newspaper at least 14 days before the date of the contest. On the day of submission of the decision for publishing in the relevant daily newspaper at the latest, the trader shall submit a copy thereof to the Ministry of Economy for disclosure on the Ministry's website.

(3) Participants in the competition shall present their proposals in sealed envelopes, which must include a presentation of the applicant, specific proposals in relation to the conditions of the competition, price, manner and terms of payment.

(4) The competition committee shall rank the participants according to the degree of satisfaction of the competition conditions and propose to the trader to identify the winner of the contest. At his discretion, the trader may require participants to submit additions and / or amendments to their proposals in accordance with the objectives of the contest, as well as to negotiate with the candidates ranked first to third. Ranking and selection in this case are made on the basis of the complemented and / or amended proposals.

(5) The winner of the contest shall be announced the candidate whose proposal most fully satisfies the competition conditions. Candidates shall be notified of the ranking and the results of the contest and the participants' deposits shall be reimbursed while the deposit of the winner of the contest shall be forfeit, and shall be off-set against the price. Together with the notification to the winner of the contest, the deadline for the conclusion of the contract shall also be indicated. In the event that the contract is not concluded by the winner of the competition, the deposit of this participant shall be retained and as winning contestant shall be determined the candidate ranked next that has satisfied the competition conditions.

Article 17. (1) (Amended SG, No. 103/2008, effective 2.12.2008, previous text of Article 17, No. 22/2010, effective 19.03.2010, amended, **No. 64/2017**, effective 8.08.2017) Subject to the consent of the single owner of the capital, the conclusion of contracts for sale, exchange and lease of fixed assets, irrespective of their book value, may be made by direct negotiation, the initial price being determined by an independent valuer in the following cases:

1. in co-ownership;
2. with subsidiaries;
3. with a concessionaire where the asset is necessary with regard to the subject of the concession;
4. with budget enterprises within the meaning of the Accountancy Act;
5. for the needs of diplomatic and consular representations of foreign states and representative offices of intergovernmental organizations in the Republic of Bulgaria;
6. following a decision of the Council of Ministers;
7. when the transaction is between companies with more than 50% state participation, providing consumers with public services subject to regulation by a state body;

8. (New - SG No. 39/2009, effective 26.05.2009) where the transaction is carried out by companies listed in Annex 1.

(2) (New - SG, No. 22/2010, effective 19.03.2010, amend., No. 64/2017, effective 8.08.2017) Subject to the permission of the sole owner of the capital, the conclusion of rental contracts of fixed assets - sports sites and facilities, irrespective of their book value, can be made through direct negotiation with non-profit legal entities for the purpose of performing a public benefit activity whose main activity corresponds to the purpose of the asset, the starting price being determined by an independent valuer .

(3) (New - SG, No. 22 / 2010, effective 19.03.2010) Contracts under paragraph 2 shall be for a period of up to one year.

Article 18. (1) Conclusion of contracts with company employees for rental of dwellings, studios and cabinets for individual creative activity, garages and parking places for personal motor vehicles - fixed assets of sole-owner companies with state participation, shall be made on the basis of an order issued by the managing directors, executive directors or chairpersons of the boards of directors of the companies concerned on the basis of the criteria laid down in the collective labour agreement.

(2) Where the company does not have a collective labor agreement, accommodation in the facilities under paragraph 1 and the termination of the rental relations for them shall be carried out in accordance with paragraph 1 under the terms of the State Property Act and its implementing rules.

(3) (Amended SG, No. 103/2008, effective 2.12.2008) The sale of dwellings, studios, cabinets and garages to employees in companies, as well as to former employees who have at least 10 years of service and have changed their employer under the terms of Article 123, paragraph 1 of the Labor Code or whose employment relationships have been terminated due to the acquisition of a right to a pension shall be carried out with the permission of the sole owner of the capital under the terms and conditions of the Obligations and Contracts Act and the prices of the objects shall be determined in accordance with Article 14, paragraph 2.

(4) The permission of the sole owner of the capital under paragraph 3 shall have a validity term of 6 months from the date of its issuance.

Section Va

(New - SG, No. 103/2008, effective 2.12.2008)

Special rules for admission of partners and for increase of capital of companies with more than 50 per cent state participation, as well as for nomination of co-founders for formation of companies with state participation

Article 18a. (New - SG, No. 103/2008, effective 2.12.2008) (1) Admission of partners and increase of the capital of companies with more than 50% state participation through the

issuance of new shares shall be made by decision of the sole owner of the capital or of the General Assembly after conducting competition in accordance with the procedure of this section.

(2) Nomination of co-founders for the formation of companies with state participation in which the state is not the sole owner of the capital shall be carried out after conducting a competition in accordance with the procedure of this section.

(3) Nomination of co-founders for the formation of subsidiaries of the sole-owner companies with state participation shall be carried out after conducting a competition in accordance with the procedure of this section.

(4) The provisions of paragraph 1 - 3 shall not apply in cases where a decision of the Council of Ministers provides otherwise.

(5) The provisions of this section shall not apply in cases where other rules have been negotiated in international treaties, which have been ratified in accordance with the constitutional procedure, promulgated and brought into force for the Republic of Bulgaria.

Article 18b. (New - SG, No. 103/2008, effective 2.12.2008) (1) The competition under Article 18a, paragraph 1 and 3 shall be opened by a decision of the management body on the basis of a decision of the sole owner of the capital or of the general meeting for conducting a competition.

(2) (Amended SG, **No. 64/2017**, effective 8.08.2017) The initial price of the new stock and shares in the competition under Article 18a, paragraph 1 shall be determined by an independent valuer and shall not be lower than their nominal value.

(3) The competition under Article 18a, paragraph 2 shall be opened by a decision of the Council of Ministers or of a Minister authorized by it in accordance with his sectoral competence.

Article 18c. (New, SG No. 103/2008, effective 2.12.2008) (1) The decision to open a competition under Article 18b, paragraph 1 - 3 shall contain:

1. description of the object of the contest;
2. initial price of the new stock and shares in a competition under Article 18a, paragraph 1, the minimum value of the participation in a competition under Article 18a, paragraph 2 and 3 respectively ;
3. general and special conditions of the contest and requirements to the participants;
4. proposals evaluation criteria;
5. amount of fee for receipt of competition documentation, if any, place and time limits for receipt or purchase of the tender documents and submission of the proposals of the contest participants, as well as amount of the deposit for participation, if required;

6. an exhaustive list of documents to be submitted by the candidates;
7. other conditions in accordance with the objectives of the competition, including requirements for a monetary, a non-monetary contribution or a combination of both;
8. decision for approval of the tender documentation;
9. draft Articles of Association in the case of a competition under Article 18a, paragraph 2 and 3.

(2) The decision under paragraph 1, items 1-7 shall be published in at least one national daily newspaper at least 45 days before the date of the contest.

(3) The participants in the competition shall present their proposals in sealed envelopes, which shall include a presentation of the applicant, specific proposals on the conditions of the competition, price, manner and terms of payment.

Article 18d. (New - SG No. 103/2008, effective 2.12.2008) (1) (Amended SG No. 93/2009, effective 24.11.2009, No. 40/2015) The selection board shall be appointed by the management body or shall be determined by the decision under Article 18b, paragraph 3 and consists of 7 to 9 members and includes representatives of the Council of Ministers administration of the Ministry of Economy, the Ministry of Finance, the ministry in accordance with the sectoral competence and the trader. The board shall include: a lawyer, an economist and an expert with the necessary professional qualification and practical experience in accordance with the object of the competition.

(2) The board meeting may conduct business if more than half of all members of the board are present.

(3) The work of the selection board and all the circumstances of the competition shall be reflected in a protocol signed by all its members.

Article 18e. (New - SG No. 103/2008, effective 2.12.2008) (1) The selection board shall propose the approval of the candidate ranked first in accordance with the degree of satisfaction of the competition conditions and shall submit the tender dossier to the management body of the company, respectively the body referred to in Article 18b paragraph 3.

(2) After the completion of the competition under Article 18a, paragraph 1 and 3, the management body of the company shall submit the documents for its conduct and shall submit a proposal for ranking of the participants to the sole owner of the capital or to the general meeting for decision in accordance with the Commerce Act.

(3) After the completion of the competition under Article 18a, paragraph 2 the authority referred to in Article 18b, paragraph 3 determines the winner of the contest.

(4) The candidate whose proposal most fully satisfies the competition conditions shall be announced to be the winning contestant. Candidates are notified of the ranking and results of

the competition, their deposits shall be reimbursed while the deposit of the winner of the contest shall be forfeit, and shall be off-set against the price.

Section VI

Composition of the bodies of sole owner companies with state participation in the capital

Article 19. (1) Managing directors and comptrollers of single member limited liability companies may be natural persons only.

(2) Members of executive or supervisory bodies of single shareholder joint stock companies with state participation in the capital may be natural persons. A member of a company body may also be a legal person if so permitted by the articles of association of the company.

(3) The number of members of the board of directors or of the supervisory board of the single shareholder joint stock companies with state participation in the capital shall not exceed five persons. A larger number can be determined with the consent of the Council of Ministers.

(4) In the election of the members of boards of directors or of supervisory boards in joint stock companies with state participation in the capital, the respective Minister or the person authorized by him, representing the state in the General Assembly, shall propose a number of members, corresponding to not less than the proportionate participation of the State in the capital of the company.

(5) The representatives of the State in the management and control bodies of the companies with state participation in the capital may participate in not more than one body for management or control of such companies.

Article 20. (1) Following natural persons may not be managing directors of single member limited liability companies with state participation in the capital if they:

1. conduct commercial transactions on their own behalf or on behalf of any third party;
2. are partners in general and limited partnerships and in limited liability companies;
3. hold a position in managing bodies of other companies;
4. have been deprived by a verdict or by an administrative sanction of the right to hold a position of financial accountability until the expiry of the sanction;
5. are managing directors, comptrollers and members of executive or controlling bodies of another sole-owner company with state participation in the capital;
6. (amended SG, **No. 64/2017**, effective 8.08.2017) are Members of Parliament, Ministers, Deputy Ministers, District Governors, Deputy Governors, Mayors, Deputy Mayors, Substitution Mayors, Chairmen of Government Agencies, members of state commissions,

executive directors of executive agencies, heads of state institutions established by law or by an act of the Council of Ministers who have executive functions, executive directors and members of the executive board and the supervisory and executive boards of the Privatization and Post-Privatization Control Agency.

7. are civil servants;

8. work under an employment contract.

(2) Prohibitions under paragraph (1), items 1, 2 and 3 shall apply where an activity similar to that of the company is carried out.

Article 21. Following persons may not be comptrollers in a single member limited liability company with a state participation in the capital:

1. managing directors, their deputies and employees in the company;

2. spouses, lineal relations and collateral relatives up to the third degree of consanguinity to the persons under the item 1;

3. persons deprived by a verdict or by an administrative sanction of the right to hold a position of financial accountability;

4. managing directors or members of executive or controlling bodies of another company with state participation in the capital;

5. (amended SG, **No. 64/2017**, effective 8.08.2017) MPs, Ministers, Deputy Ministers, District Governors, Deputy District Governors, Mayors, Deputy Mayors, Substitution Mayors, Municipal Secretaries, Chairmen of government agencies, members of state commissions, executive directors of executive agencies, heads of state institutions established by law or by an act of the Council of Ministers who have executive power, executive directors and members of the executive board and the supervisory and executive boards of the Privatization and Post-Privatization Control Agency.

Article 22. (1) Following natural persons may not be members of boards of directors, supervisory boards and management boards of the single shareholder joint stock companies with state participation in the capital if they:

1. conduct commercial transactions on their own behalf or on behalf of any third party;

2. are partners in general and limited partnerships and in limited liability companies;

3. have been deprived by a verdict or by an administrative sanction of the right to hold a position of financial accountability;

4. have been members of a management or controlling body of the company dissolved due to insolvency in the last two years preceding the date of the bankruptcy decision if there are unsatisfied creditors;

5. are spouses or relatives up to third degree in a straight or collateral line of consanguinity, including by marriage, to another member of a management body of the company;
 6. are managers or members of executive or supervisory bodies of another commercial company with state participation in the capital;
 7. (Amended SG, **No. 64/2017**, effective 8.08.2017) are Members of Parliament, Ministers, District Governors, Deputy Regional Governors, Mayors, Deputy Mayors, Substitution Mayors, Secretaries of Municipalities, Chairmen of Government Agencies, members of state commissions, executive directors of executive agencies, heads of state institutions established by law or by an act of the Council of Ministers having executive power, executive directors and members of the supervisory and executive boards of the Privatization and Post-Privatization Control Agency;
 8. do not comply with other requirements laid down in the Company's Articles of Association.
- (2) Prohibitions under paragraph (1), items 1 and 2 shall apply where an activity similar to that of the company is carried out.
- (3) Persons working on a labor contract or on an employment relationship may not be executive members of the boards of directors.
- (4) (Repealed by Decision 8260 of the SAC of the Republic of Bulgaria - SG No. 79/2005).

Section VII

Obligations of the management and control bodies of sole owner companies with state participation in the capital

Article 23. (Amended– **SG, No. 64/2017**, effective 8.08.2017) Within 25 days after the expiry of each quarter and until 25th of April of the following year, management and control bodies of sole owner companies with state participation in the capital shall submit to the body exercising the rights of the state in companies with state participation in the capital a written report about their operation - about the financial and economic condition of the company, about existing problems and measures to solve them.

Section VIII

Assigning management and control of sole owner companies with state participation in the capital

Article 24. (1) The management of sole owner companies with state participation in the capital shall be assigned by management contracts concluded between each member of the

management body of the company and the body exercising the rights of the sole owner of the capital.

(2) The control over the implementation of the constitutive act and for the protection of the property of a limited liability company as well as the control over the activity of the management board in a single shareholder joint stock company shall be assigned by control contracts concluded between each comptroller or a member of the supervisory board and the body exercising the rights of the sole owner of the capital.

(3) Prior to concluding the management and control contracts with persons working in the public administration, outside the administration of the body exercising the rights of the sole owner of the capital in the respective undertaking, the consent of the employer under the main employment contract or of the appointing authority under the employment relationship shall be required.

Article 25. The management of sole owner companies with state participation in the capital may also be awarded after conducting of a competition under conditions and in accordance with a procedure determined by the body exercising the rights of the sole owner of the capital.

Article 26. Management and control contracts in sole owner companies with state participation in the capital shall be concluded for a period of up to 3 years.

Article 27. (1) The management or control contract shall specify:

1. the rights and obligations of the parties;
2. the amount of the remuneration and the way of its payment;
3. the liability of the parties in case of non-performance of the contract;
4. the grounds for termination of the contract.

(2) The management contract with the members of the board of directors, the supervisory board and the management board respectively, shall specify the type and amount of the guarantee they provide for their management.

(3) The guarantee provided shall be reimbursed after the termination of the management contract and after the decision of the body exercising the rights of the sole owner of the capital of the company for discharge. When the guarantee has been paid in cash, the interest on the amount paid is also subject to reimbursement.

Article 28. (1) In the management contract with the members of the board of directors or in the control contract with the members of the supervisory board the body exercising the rights of the sole owner of the capital in the companies with state participation shall oblige them to draw up a business program of the company designated for the entire duration of the management contract and separately for each year in accordance with the company's development strategy.

(2) The business program shall contain specific economic indicators, the performance of which the managing bodies, respectively the supervisory board, shall ensure, such as: profitability, productivity, sales volume, profit or loss reduction, new markets, utilisation of facilities, maintenance of a certain number of jobs, financial obligations, investments, etc.

(3) Within two months from the signing of the contract, the managing and controlling bodies shall submit for approval to the sole owner of the capital or to the deputy minister authorized by him the business program referred to in paragraph 2.

Article 29. (1) Contracts with managers, comptrollers, members of the boards of directors and members of supervisory boards shall be terminated before the expiry of the term:

1. by mutual agreement of the parties;
2. at the request of the person with a notice of not less than 3 months;
3. at the request of the body exercising the rights of the sole owner of the capital with a one-month notice;
4. in case of transformation or dissolution of the sole owner company with state participation and upon change of the owner of the capital of the company;
5. in case of death;
6. in case of judicial disability of the natural person, in case of bankruptcy or liquidation of the legal person respectively;
7. if any of the circumstances giving rise to a prohibition or restriction to the person for performance of the respective functions under Article 20 - 22 arise;
8. due to a factual inability of the person to perform his duties, lasting for more than 60 days.

(2) Contracts with managing directors, members of boards of directors and members of supervisory boards may be terminated before the expiry of the term by the body exercising the rights of the sole owner of the capital without notice:

1. in the event of non-fulfillment of the economic indicators determined pursuant to Article 28, paragraph 2;
2. in the event of a violation of the law committed in the course of or in connection with the fulfillment of the obligations under the contract or in case of violation of the Regulations;
3. in the event of acts or omission of the person, which have led to a deterioration of the financial results of the company or which have caused it damages.

(3) Contracts with comptrollers may be terminated before the expiry of the term without notice by the body exercising the rights of the sole owner of the capital under the conditions of paragraph 2, item 2 or 3.

Article 30. (1) Upon dissolution of a sole owner company with state participation through liquidation, the body that has decided on the winding up, shall appoint liquidators and shall conclude a contract with them.

(2) As liquidators may not be appointed persons who:

1. conduct commercial transactions on their own behalf or on behalf of any third party;
2. are partners in general and limited partnerships and in limited liability companies;
3. have been deprived by a verdict or by an administrative sanction of the right to hold a position of financial accountability;
4. (Amended SG, **No. 64/2017**, effective 8.08.2017) are Members of Parliament, Ministers, Deputy Ministers, Regional Governors, Deputy Regional Governors, Mayors, Deputy Mayors, Substitution Mayors, Municipal Secretaries, Chairs of state agencies, members of state commissions, executive directors of executive agencies, heads of state institutions established by law or by an act of the Council of Ministers who have executive functions, executive directors and members of the supervisory and executive boards of the Privatization and Post-Privatization Control Agency;
5. (Supplemented - SG, No. 59/2003) are civil servants or work under an employment contract in the state administration.

(3) Prohibitions under paragraph 2, items 1 and 2 shall apply where an activity similar to that of the company is carried out.

(4) The contract with the liquidators shall determine:

1. the rights and obligations of the parties;
2. the amount of the remuneration and the way of its payment;
3. the liability of the parties in case of non-performance of the contract;
4. the term for completion of the work.

Article 31. (1) Persons working under management and control contracts in commercial companies with state participation shall be obligatorily insured for all insured social risks and shall be subject to compulsory health insurance.

(2) The insurance income, social security contributions and their distribution between the insurer and the insured person shall be determined in the amounts and in accordance with the procedure established by the law.

(3) The time during which the persons have worked under management and control contracts in the sole-owner companies with state participation in the capital and have been insured for all insurance cases shall be considered an insurance period.

Article 32. (1) Persons whose management and control contracts are terminated at the expiration of the term of the contract or on the basis of Article 29 shall be entitled to cash unemployment benefit under the conditions, according to the procedure and to the amounts provided by the legislation in force in the country.

(2) Persons under paragraph 1, who have acquired the right to cash benefit before the expiration of 3 years from the previous exercise of the right to unemployment benefit, receive the minimum amount of the cash unemployment allowance determined for the respective year by the State Social Insurance Budget Act for a period of 4 months.

Section IX

Determining the remuneration of members of executive and supervisory bodies of sole owner companies with state participation in the capital

Article 33. (1) The remuneration of members of executive and supervisory bodies of sole owner companies with state participation in the capital shall be determined according to the value of the tangible fixed assets, number of staff, profitability, financial result, change in value added per employee, servicing of obligations, as well as according to the specific commitments and responsibilities assumed in the contracts concluded.

(2) (Amended- SG, No. 103/2008, effective 2.12.2008, No. 39/2009, effective 26.05.2009) The monthly remuneration of members of executive and supervisory bodies of sole owner companies shall be determined by a ranking valuation based on the results for the quarterly reporting of indicators and criteria in the table in Annex 2 and the estimated value of one ranking unit.

(3) (Amended - SG, No. 103/2008, effective 2.12.2008) Members of boards of directors, supervisory boards and management boards of single shareholder joint-stock companies with state participation shall receive a remuneration determined at a value of one ranking unit in the amount of 50 per cent of the minimum monthly salary established for the country for the respective month.

(4) Executive members and members of the management boards, authorized to represent the company, in addition to the remuneration under paragraph 3 shall also receive a remuneration determined at a value of one ranking unit equal to the minimum monthly salary established for the country for the respective month.

(5) (Amended - SG, No. 59/2003) Managing directors of single member limited liability companies shall receive remuneration, determined at a value per ranking unit equal to the minimum monthly salary established for the country for the respective month, and comptrollers of these companies - at a value of one ranking unit amounting to 40 percent of the country's minimum monthly salary for the month.

(6) (Repealed by Decision 8260 of the SAC of the Republic - SG, No. 79/2005).

(7) After the end of each quarter, depending on the values of the indicators and criteria in the annex under paragraph 2 the ranking valuation shall be calculated and the monthly remunerations for the reporting quarter shall be recalculated. Recalculated remunerations are charged and paid with the remuneration for the last month of the reporting quarter. During the first two months of the quarter, members of the executive and controlling bodies receive an advance monthly remuneration based on the ranking valuation for the previous quarter.

(8) The calculation of the ranking valuation and the amount of the remunerations of the members of the executive and controlling bodies shall be carried out in the company on the basis of the statutory accountability. Remuneration shall be charged to the expenses of the company. Information on the remunerations determined shall be submitted quarterly to the body exercising the rights of the sole owner of the capital.

(9) (Amended- SG, No. 103/2008, effective 2.12.2008, No. 72/2010, effective 14.09.2010) Members of executive and controlling bodies of sole owner companies with state participation shall receive bonuses in addition to the remuneration amounts determined in accordance with paragraph 7 if there is an increase of the accounting profit during the accounting year compared to the preceding year and provided that the company has no uncovered loss from previous years and liabilities overdue. Bonuses are at the expense of the profits after tax and the allocation of the statutory parts thereof as a reserve of the company and a state dividend to the amount determined by the body exercising the rights of the sole owner of the capital but not more than one average monthly remuneration received during the year by the members of the executive and supervisory bodies.

(10) (New - SG, No. 29/2010, effective 1.04.2010, amended, No. 72/2010, effective 14.09.2010) The amount of the remuneration of members of boards of directors, supervisory and management boards of the single shareholder joint-stock companies with state participation, determined in accordance with the procedure under paragraph 3, after recalculation under paragraph 7 may not exceed the five-fold amount of the minimum monthly salary established for the country for the respective month.

(11) (New - SG, No. 29/2010, effective 1.04.2010, amended, No. 72/2010, effective 14.09.2010) The amount of the remuneration of executive members and members of management boards authorized to represent the company determined in accordance with the procedure under paragraph 3 and 4, after recalculation under paragraph 7, may not exceed twelve times the amount of the minimum monthly salary established for the country for the respective month.

(12) (New - SG, No. 29/2010, effective 1.04.2010, amended, No. 72/2010, effective 14.09.2010) The amount of the remuneration of the managing directors of single member limited liability companies under paragraph 5 after recalculation under paragraph 7 may not exceed the twelve-fold minimum wage set for the country for the respective month, and the comptrollers of these companies - the four-fold minimum wage set for the country for the respective month.

Section X

Register of sole owner companies with state participation in the capital and of companies with state participation in the capital

Article 34. (Repealed - SG, No. 64/2017, effective 8.08.2017).

Article 35. Registers of companies with state participation are kept in the ministries, according to the sectoral competence of the respective minister, containing following columns:

1. (amended SG No. 64/2017, effective 8.08.2017) a unique identifier (UI) and a registration number in the commercial register;
2. type of company, name, registered office and head office;
3. term of existence and subject of activity;
4. capital, distribution of capital;
5. names and PIN of members of management bodies and of persons representing the company;
6. amount of state participation;
7. branches;
8. transformation, merger, acquisition, splitting and separation; transfer of undertakings;
9. dissolution of companies;
10. method of privatization, date of privatization deal signing, buyer (buyers) of stock, shares.

Article 36. (amended SG No. 64/2017, effective 8.08.2017) The Privatization and Post-Privatization Control Agency shall grant access for official use to information from the public register for privatization transactions in accordance with Article 29 of the Privatization and Post-Privatization Control Act for filling in the registers under Articles 34 and 35.

ADDITIONAL PROVISION

§1. (Amended SG No. 59/2003) Within the meaning of the Regulations “representatives of the state in the management and control bodies of the companies with state participation in the capital” shall be civil servants and the persons working under an employment relationship in the state administration that are elected or appointed in management and control bodies of the companies.

TRANSITIONAL AND FINAL PROVISIONS

§ 2. (1) Ministers shall examine the files containing the applications under Article 18 of the repealed LTPSME, completed with the documents required provided by the applicants and the municipalities.

(2) In the case of requests under Article 18, paragraph 1 of the repealed LTPSME for stock or shares submitted by owners of properties that have not been effectively restored, each file must contain:

1. a certified copy of the State Property Deed drawn up for the property, a certificate and a declaration by the owners that they have not been compensated in accordance with the requirements of Article 18, paragraph 4 of the repealed LTPSME;
2. a notary certified copy of the ownership document and a certificate of successors where the request is submitted by the heirs of a former owner;
3. a power of attorney when the request is filed by a proxy to the former owner or his / her heirs.

(3) In the case of requests under Article 18, paragraph 2 of the repealed LTPSME from owners of nonrecoverable land, which is a part of the assets of companies with state participation in the capital, if the land has been included in cooperative farms, state farms or other organizations formed on their behalf, each file must contain:

1. an effective decision on a declaratory action or a certificate from the services responsible for the territorial and town planning or cadastre for the size of the property that falls within the company;
2. a certified copy of the state property deed in cases where the land has been included in the building boundaries of the settlement, an extract from the cadastral plan, data that the particular land is built up with a state enterprise, a certificate that the land owner is not compensated in cash or with equivalent land from the state or municipal land fund or with registered compensation vouchers under Article 10b of the Ownership and Use of Agricultural Land Act by decision of the respective land commission and a declaration by owners and a certificate that the owner has not been compensated in accordance with the requirements of Article 18, paragraph 4 of the repealed LTPSME;
3. a notary certified copy of the ownership document and a certificate of heirs provided by the owners, where the request is submitted by the heirs of the former owner;
4. a power of attorney when the request is filed by a proxy to the former owner or his / her heirs.

(4) Where the files submitted within the time limit under Article 18 of the LTPSME and § 2 of the Transitional and Final Provisions of the LONP and sent to the competent authorities by the municipal administrations at the location of the property and by the Council of Ministers are not completed with the documents and the data under paragraph 2 and 3, they shall not be

considered until their completion. Files uncompleted within 14 days of receipt of a communication from the competent authority shall not be considered.

§ 3. After the completion of the requests with the documents referred to in § 2, within a 3 months time ministers shall send to the municipal councils at the location of the properties the valuation of the property and its corresponding stakes or shares according to the balance sheet of the company as at 31 December of the previous year or according to the adopted privatization valuation for cash privatization when it contains a land valuation for the respective settlement in accordance with the Net Asset Value method.

(2) The municipal councils shall communicate the valuations to the eligible persons by letter of acknowledgment of receipt or by other appropriate means certifying the date of service.

(3) After the entry into force of the valuation and the transfer of the shares or stock to the entitled persons, within a one-month term general meetings of the companies shall be held, where the partnership agreements of limited liability companies are accepted or statutes of the joint stock companies are changed and governing bodies are elected.

§ 4. The procedure for determining the remuneration of the executive and supervisory bodies of the sole owner companies with state participation in the capital shall not apply to the health care establishments established in compliance with the procedure of chapter thirteen, section I of the Health Care Establishments Act. These remunerations shall be determined by secondary legislation on the implementation of the Health Care Establishments Act, with the observance of the limitation of the amount of the remuneration of the representatives of the State in the management and supervisory bodies of companies with state participation pursuant to Article 33, paragraph 6 of the Regulations.

§ 4a. (New - SG No. 70/2015, effective 11.09.2015) (1) (New - SG, **No. 64/2017**, effective 8.08.2017) The provisions of Section V shall also apply to companies , the capital of which is owned by sole owner companies with state participation.

(2) (Previous text of § 4a - SG, **No. 64/2017**, effective 8.08.2017) The provisions of Section IX shall not apply to sole owner companies with a state participation in the capital whose main business is management of financial instruments under the programs co-financed by the European structural and investment funds and other European Union initiatives.

§ 5. Ministers shall authorize the representatives of the state in the general meetings and in the supervisory bodies of the commercial companies with state participation in the capital to propose to the general meeting for decision and to include in the rules for determining the remuneration of the executive and control bodies the indicators, criteria and values under Article 33.

§ 6. Article 1, paragraph 2, 4 of the Ordinance on Tenders adopted by Decree 105 of the Council of Ministers of 1992 (promulgated, SG No. 50/1992, supplemented, No. 9 and 30/1993, No. 24/1997, No. 50 and 125/1998 and No. 39/2001) shall be repealed.

§ 7. The Regulations shall be adopted on the basis of § 13, paragraph 3 of the Transitional and Final Provisions of the Privatization and Post-privatization Control Act.

TRANSITIONAL AND FINAL PROVISIONS

to Decree No. 66 of the Council of Ministers of 8 April 2010 supplementing the Regulations on the procedures for exercising the rights of the state in companies with state participation in the capital

(SG, No. 29/2010, effective 1.04.2010)

§ 2. Authorities exercising the rights of the sole owner of the capital in companies with state participation in the capital shall, within one month, make the contracts for management and control of the persons under Article 33 fully compliant with the annexes under Article 33, paragraph 10, 11 and 12.

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TRANSITIONAL AND FINAL PROVISIONS

to Decree No. 187 of the Council of Ministers of 7 September 2010 amending the Regulations on the procedures for exercising the rights of the state in companies with state participation in the capital

(SG, No. 72/2010, effective 14.09.2010)

§ 2. Authorities exercising the rights of the sole owner of the capital in companies with state participation in the capital shall, within one month, make the contracts for management and control of the persons under Article 33 fully compliant with the amendments

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TRANSITIONAL AND FINAL PROVISIONS

to Decree No. 127 of the Council of Ministers of 27 May 2013 supplementing the Regulations on the procedures for exercising the rights of the state in companies with state participation in the capital

(SG, No. 49/2013)

§ 2. The provisions of Article 13b shall also apply mutatis mutandis to state-owned enterprises within the meaning of Article 62 of the Commerce Act, as well as to companies which the persons referred to in Article 13b, paragraph 1 are controlling.

§ 3. Within six months after the entry into force of this Decree:

1. management and control bodies of companies and state-owned enterprises shall bring their activities in line with the rules of Annex 3;

2. authorities exercising the rights of the state in the capital of companies with state participation and in state-owned enterprises shall bring management and control contracts with the members of the management and control bodies of companies and state-owned enterprises in accordance with the rules set out in Annex 3.

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DECREEE No. 164

of the Council of Ministers of 4 August 2017 amending and supplementing the Regulations on the procedures for exercising the rights of the state in companies with state participation in the capital

(SG, **No. 64/2017**, effective 8.08.2017)

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§ 11. Everywhere in the Regulations the words “the Privatization Agency”, “the Privatization Agency and of the Agency for Post-Privatization Control” and “the Privatization Agency and the Post-Privatization Control Agency” shall be replaced by “the Privatization and Post-Privatization Agency”.

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Transitional and final provisions

§ 13. Tenders and competitions announced prior to the entry into force of the Decree under the provisions of Section V shall be completed according to the current procedure.

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Annex 1

to Article 17, paragraph 1, item 8

(New - SG, No. 39/2009, effective 26.05.2009, amended, No. 68/2011, effective 2.09.2011)

1. "Diplomatic Real Estates in the Country Agency" - EOOD;
2. "National Palace of Culture - Congress Center Sofia" - EAD - for concluding rental contracts.

Annex 2

to Article 33, paragraph 2 (Amended- SG, No. 103/2008, effective 2.12.2008, previous Annex, No. 39/2009, effective 26.05.2009, amended, No. 40/2015)

Indicators and criteria for determining the ranking valuation of sole owner companies with state participation in the capital

No.	Indicators	Criteria		Ranking units
1	2	3		4
1.	Long term tangible assets value	1.1.	Up to BGN 150,000	2,0
		2,5		
		3,0		
		3,5		
		4,0		
2.	Average number of staff	2.1	Up to 50 people	2,0
		2,5		
		3,0		
		3,5		
		4,0		
3.	Change in profitability of sales	3.1.	reduction of profitability	-
		1,0		
		2,0		
4.	Change in financial result	4.1.	keeping and increasing loss or decreasing profit	-
		1,0		
		1,5		
		2,0		
5.	Change in added value per employee	5.1	reduction	
		2.0		
6.	Liabilities of the company	6.1	missed deadlines under current liabilities and / or non-regularly serviced overdue lyabilities under contracts concluded for their repayment	-
		2.0		

Notes:

1. "Long term tangible assets value" indicator shall be measured at the book value of tangible fixed assets at the end of the reporting quarter, Section A, total for Group I, column 1 of the company balance sheet.

2. "Average number of staff" indicator shall include the average number of staff for the reporting quarter, excluding those on maternity leave. The average number of staff shall include the number of people working abroad.

3. "Profitability of the sales" indicator shall be determined as a ratio between accounting profit and net sales revenue in the company's profit and loss account. Data on

accounting profit and net sales revenue for the reporting quarter shall be established as a difference between their values for the period from the beginning of the year to the period prior to the reporting quarter. When the company has reported accounting loss for the reporting quarter, it shall be unprofitable.

4. "Change in financial result" indicator shall be established in the income statement as the difference between the accounting profit (loss) for the reporting and the previous quarter. The amount of the accounting profit (loss) for the reporting and the previous quarter shall be determined as the difference between its values for the period from the beginning of the year and the period preceding the respective quarter., "Increase in profit" criterion shall be used when an accounting profit is realized for the reporting quarter and an accounting loss is reported for the previous quarter. In case that an accounting loss is incurred for the accounting quarter with an accounting profit for the previous quarter, the "Increase in loss or decrease of profit" criterion shall be used. When calculating the accounting profit, the revenues of the companies from sales of tangible and intangible assets shall be deducted.

5. "Change in value added per employee" indicator for the reporting period relative to the base period shall be determined according to the National Statistical Institute Methodology for calculating the coefficient of change in value added per employee.

6. Observance or non-observance of the terms of the "Liabilities of the company" indicator shall be established on the basis of the liabilities of the reporting quarter: principals and interests on bank loans used; liabilities to the state or municipal budget (profit tax, municipal tax, tax on income from labour relationships or on income from management and control contracts and obligations under the Law on the Settlement of Non-performing Loans Contracted until 31 December 1990, under Contracts Concluded in Compliance with the Relevant Procedures); contributions to mandatory public and health insurance and liabilities to suppliers, and arrears, if such exist, for previous periods, as well as dividends for the state participation after 1st of July 1997 – are they serviced regularly in accordance with the contracts concluded for their repayment. "Liabilities to suppliers" shall mean obligations under supply and service contracts related to the business activities of the company, and in the cases where they are settled under the terms agreed for current and previous periods, it shall be considered that no overdue liabilities exist.

7. Companies with a seasonal nature of production and realization can use respective quarter of the previous year as basis for determining indicators 3, 4 and 5.

8. (Amended- SG, No. 40/2015) In case of specific business conditions, such as prices of products or services or raw materials, materials and energy used fixed by state or municipal authorities, granting of subsidies from the state and / or municipal budgets, expediency of the economical use of natural resources or in case of assignment of tasks for investment or renewal of production, the authority exercising the rights of the sole owner of the capital may determine other relevant indicators and criteria instead of indicators 4 and 5, while respecting the same size for ranking units of the criteria.

9. (Amended SG, No. 103/2008, effective 2.12.2008) In the event of failure to observe the terms for payment of the social security contributions for the obligatory public and health insurance, the ranking evaluation determined and the remuneration under Article 33, paragraph 7 shall be reduced by 25 per cent.

Annex 3

to Article 13 b

(New - SG, No. 49/2013)

Rules for choosing a contractor for provision of financial services from credit or financial institutions

1. General provisions

1.1. The purpose of these rules shall be:

1. unification of the methodology for choosing a financial services contractor;
2. Increasing transparency and efficiency of state-owned companies funds management;
3. Diversification of the monetary resources and limiting the risk of concentration of exposures;
4. improving accountability mechanisms of state-owned companies.

1.2. For the purposes of the rules, companies referred to in Article 13b shall be called contracting entities.

1.3. The rules shall apply when selecting a contractor for the following types of financial services:

1. Free cash - deposits; available funds that may be placed on deposit or other bank accounts;
2. Payment and related services, incl. management of current and other accounts, collection, etc.;
3. Financing - working, investment and other loans, guarantees, etc.;
4. Transactions in financial instruments under Article 3, item 2 of the Markets in Financial Instruments Act, including foreign exchange transactions, risk hedging operations, etc.

1.4. The rules may also apply to other services, such as provision of investment and brokerage services for securities issues, fiduciary operations, financial consultations and analysis, market research, investment services in the context of bond issue structuring, provision of insurance services, tax consultations, etc.

2. Criteria and approaches for forming and assigning an assessment

2.1. The bid assessment criterion shall be the most economically advantageous bid.

2.2. The most economically advantageous bid shall be determined on the basis of a complex assessment of the bid according to two types of indicators, non-quantitative and quantitative, with fixed relative weights, as follows:

2.2.1. Non-quantitative indicators with a total relative weight in the final score of 40 per cent:

a) reliability of internet banking platform, time limit for payment service provision, development of a branch network;

b) others - on a reasoned decision of the contracting entity, depending on the specific features of the financial service.

2.2.2. Quantitative indicators with a total relative weight in the final score of 60 per cent:

a) for the "Available funds - deposits" financial services group - offered interest terms (interest rate, fees, commissions, etc.), timing, volume, currency, conditions for early termination, etc. ;

b) for "Payment and related services" financial services group - fees and commissions for performance of various payments (domestic and international, collection services, etc.), interest conditions, etc. ;

c) for "Financing" financial services group - interest terms, timing, fees and commissions, type and amount of collateral, penalties provided, etc. ;

d) for "Transactions with financial instruments" financial services group - interest terms, fees, commissions, etc. ;

e) others - based on a reasoned decision of the contracting entity, depending on the specific features of the financial service.

2.3. When choosing a credit or financial institution to provide financial services referred to in item 1.3, the indicators and their relative weight as set out in item 2.2 shall be applied.

2.4. It is also possible to apply a choice of a credit or financial institution simultaneously for the services under items 1 and 2 or items 2 and 3 of item 1.3.

2.5 Specific indicators for choosing a credit or financial institution shall be determined by the contracting entities, which may be considered for the types of financial services in a package and separately depending on their needs.

2.6. The price of the service provided (interest rates, fees and commissions) should be considered to be the basic indicator in respect of quantitative indicators with a view to achieving a specific financial effect.

2.7. In forming the assessment of non-quantifiable indicators, the relative weight can be distributed equally among the indicators. It is possible when taking into account the specific features of the financial service to choose another approach to allocation of the relative weight, based on a reasoned decision.

2.8. In forming the assessment of the quantitative indicators, it is advisable for the contracting entity to prepare an analysis covering a time period of not less than one previous year, with the possibility that the period can be determined in the light of the period for which the specific services of the potential institution are expected to be used . Based on this analysis, the contracting entity's costs related to the financial services should also be specified. Their amount forms the total volume or size of the potential relationship with the institution which serves to calculate the weight of the individual types of services within the overall volume of relationships with the institution.

2.9. In determining the total volume of relationships with a candidate service institution, it is advisable that the contracting entity also takes into account his expectations for the future use of financial services.

2.10. The purpose of the analysis under item 2.8 is to help the contracting entity to determine the significance of the above-mentioned quantitative indicators in the context of its specific activities, or to determine relative weights for the various factors affecting its financial revenues and expenditures.

3. Concentration rules

3.1. Contracting entities with a book value of cash in excess of BGN 3 000 000 shall comply with the concentration rules set out in item 3.2 to 3.5.

3.2. The net exposure of a contracting entity under item 3.1 to a credit or financial institution may not exceed 25 per cent of the total amount of the contracting entity's cash. The net exposure is calculated at the end of each month on the basis of outstanding balances as of the last date of the relevant month.

3.3. In case of violation of the limit under item 3.2 as a result of ongoing operational processes (spending of funds from accounts, receipt of payments, change of exchange rate, etc.), the contracting entity shall, within one month, carry out the necessary actions to comply with the condition under item 3.2.

3.4. Net exposure to a credit or financial institution shall be the difference between the BGN equivalent of the cash of the contracting entity on accounts in a credit or financial institution, regardless of their type, and the BGN equivalent of the outstanding amount of the loans provided and bank guarantees opened by the same institution, in respect of which it is the ordering customer.

3.5. The amount of the funds of the contracting entity shall not include the cash on accounts, on which a seizure has been imposed.

4. Selection of a financial service provider

4.1. When selecting a financial services contractor, the principles of publicity, transparency, free and fair competition, non-discrimination, equality and proportionality shall be respected.

4.2. The choice of a credit or financial institution shall be based on tenders submitted by at least five institutions.

4.3. For the purposes of item 4.2, contracting entities shall publish a call for tenders on the website of the authority exercising the ownership rights of the state in the companies referred to in Article 13b as well as in at least one specialised Internet medium and / or at least one daily newspaper.

4.4. The invitation shall state the type and characteristics of the financial services for which the selection is carried out, the indicators, their relative weighting, the methodology for determining the complex evaluation of the tenders, the deadline and the place for the submission of offers, etc.

4.5. The time limit for receipt of tenders shall be 10 working days after the publication of the invitation.

4.6. Where tenders are submitted from less than 5 institutions, contracting entities shall publish a re-invitation for tenders under the conditions and in accordance with the procedure of items 4.3 and 4.4. In this case, the time limit for receipt of tenders is 5 working days, and contracting entities shall choose a contractor on the basis of the tenders submitted, regardless of their number.

4.7. The choice of contractor shall take into account the requirements for the net exposures of the contracting entity to credit and financial institutions.

5. Accountability

5.1. Contracting entities shall submit electronically information to the authority exercising the ownership rights of the state in the relevant company concerning the application of the rules on a quarterly basis (including data for each month) by the 25th of the month following the corresponding quarterly reporting period.

5.2. The bodies under item 5.1 shall present to the Ministry of Finance aggregated information by companies on the application of the rules and on the presence of a concentration under item 3 on a quarterly basis. The information shall be submitted electronically in a form and in accordance with a model approved by the Minister of Finance and it shall be maintained on the Ministry's website until the 30th day of the month following the reporting period. The information shall also be published on the website of the relevant authority referred to in item 5.1.

5.3. Reporting information filed in a format other than that approved by the Minister of Finance under item 5.2 shall be considered not presented.

6. Control

6.1. Authorities exercising state ownership rights in the companies referred to in Article 13b shall exercise control over the implementation of these rules.

6.2. Bodies under item 6.1 shall have the right to reduce the remuneration set in the management / control contracts by up to 50 per cent for a period of up to three months if the management / control authorities act in violation of these rules.

6.3. The authorities referred to in item 6.1 shall include in the management / control contracts of the companies referred to in Article 13b the obligation to submit the information under item 5.1 and the liability for breach of these rules.