

**The Management and Supervisory Boards of Paloma, higienski papirji, d.d., Sladki Vrh 1, SI-2214 Sladki Vrh, Slovenia, hereby convene the**

**27<sup>th</sup> GENERAL MEETING OF THE JOINT-STOCK COMPANY PALOMA d.d.**

**to be held on 22 June 2017 at 10 AM at the seat of the company,**

**Sladki Vrh 1, SI-2214 Sladki Vrh, Slovenia**

**AGENDA AND PROPOSED DECISIONS TOGETHER WITH A RATIONALE**

**1. Opening of the General Meeting, establishment of a quorum and election of the Chairman of the General Meeting and two tellers**

Proposals for decisions by the Management Board:

**1.1** A quorum of the General Meeting shall be established.

**1.2** The General Meeting shall elect the Chairman of the General Meeting, Attorney-at-Law, Mr. Marko Kosmač, M.A., and two tells, Tanja Koban and Zora Kirbiš and shall establish the presence of a notary for drawing up a notarial act.

**RATIONALE:**

Proper functioning and holding of the General Meeting shall be subject to the election of the Chairman and other persons who shall perform tasks required for the technical implementation of the General Meeting. In compliance with the provisions of the Companies Act (ZGD-1), all decisions adopted by the General Meeting shall be certified by a notary in a notarial act.

Management Board

President of the Management Board  
Tadej Gosak, M.A.

Member of the Management Board  
Subhi Brož, MBA

- 2. The General Meeting shall become acquainted with the Audited Annual Report regarding the Operations of Paloma d.d. for the 2016 financial year, the adopted Audited Consolidated Annual Report of the Paloma Group for the 2016 financial year, the written Report of the Supervisory Board on the review of the Audited Annual Report regarding the Operations of Paloma d.d. for the 2016 financial year and the Audited Consolidated Annual Report of the Paloma Group for the 2016 financial year and the Report of the Supervisory Board on Relations with Affiliates for the 2016 financial year.**

**RATIONALE:**

At its meeting, held on 24 April 2017, the Supervisory Board approved the Audited Annual Report regarding the Operations of Paloma d.d. for the 2016 financial year and the Audited Consolidated Annual Report of the Paloma Group for the 2016 financial year. In compliance with the provisions of ZGD-1, a report for the General Meeting was drawn up. In addition, the Report of the Supervisory Board on Relations with Affiliates for the 2016 financial year was also drawn up.

The General Meeting shall not adopt the aforementioned acts but shall become acquainted therewith.

**Materials:**

- Audited Annual Report of Paloma d.d. for financial year 2016;
- Audited Consolidated Annual Report of the Paloma Group for financial year 2016;
- Report of the Supervisory Board regarding the review of Audited Annual Report of Paloma d.d. for financial year 2016 and Audited Consolidated Annual Report of the Paloma Group for financial year 2016;
- Report of the Supervisory Board on the relationship with affiliated companies for financial year 2016.

Supervisory Board  
President  
Leonida Klemenčič Podmiljšak

Management Board  
President  
Tadej Gosak, M.A.

Member of the Management Board  
Subhi Brož, MBA

- 3. The General Meeting shall deliberate on the use of distributable profits, shall become acquainted with remuneration received by the Management and Supervisory Boards for the performance of their tasks and duties in the company in the 2016 financial year and shall grant discharge to both boards.**

Proposals for decisions by the Management and Supervisory Boards:

**3.1** Distributable profits of the company for the 2016 financial year, amounting to EUR 1,534,444.00, shall remain undistributed.

**3.2** The work of the Supervisory Board of Paloma d.d. in the 2016 financial year shall be confirmed and approved. The Supervisory Board shall be granted discharge for 2016.

**3.3** The work of the Management Board of Paloma d.d. in the 2016 financial year shall be confirmed and approved. The Management Board shall be granted discharge for 2016.

**RATIONALE:**

In compliance with Article 294 of ZGD-1, the General Meeting shall simultaneously deliberate on the use of distributable profits and on granting discharge to the Management and Supervisory Boards.

In compliance with Paragraph 5 of Article 294 of ZGD-1, the Management Board shall acquaint the shareholders present at the General Meeting with remuneration received by the Management and Supervisory Boards for the performance of their tasks and duties in the company in the preceding financial year.

Distributable profits of the company for the 2016 financial year amount to EUR 1,534,444.00. In view of the current situation of the company, the Management Board proposed that distributable profits of the company as of 31 December 2016 remain undistributed. The proposal was accepted by the Supervisory Board.

In compliance with the provisions of The Management Code for Publicly Traded Companies, the Management and Supervisory Board propose a separate voting on granting discharge to the boards. It is proposed that the General Meeting grants discharge to both boards for the 2016 financial year.

Supervisory Board  
President  
Leonida Klemenčič Podmiljšak

Management Board  
President  
Tadej Gosak, M.A.

Member of the Management Board  
Subhi Brož, MBA

#### **4. Appointing an auditor**

Proposals for decisions by the Supervisory Board:

The General Meeting of Shareholders hereby appoints the following auditor of the operations of Paloma d.d. for the 2017 financial year: Deloitte Revizija d.o.o., Dunajska cesta 165, 1000 Ljubljana.

#### **RATIONALE:**

The Supervisory Board notes offers received for the audit of the financial statements for 2017 for the company Paloma d.d. and for the audit of the consolidated financial statements for the year 2017 for the subsidiary Paloma PIS to auditing financial statements of subsidiaries. Supervisory Board selects as the most favourable offeror Deloitte Revizija d.o.o. and proposes the General Meeting to appoint them.

Deloitte Revizija d.o.o. has previous experience in auditing the operations of both Paloma d.d. and the Paloma Group by having audited the operations of the Paloma Group during the last years. It is a member of the Deloitte Group, one of the largest groups for the provision of professional audit and tax, financial and business counselling services. Since it was founded, Deloitte Revizija, d.o.o., has earned a reputation of one of the leading providers of the aforementioned professional services in Slovenia. Its clients include major Slovenian companies and numerous global corporations operating on the Slovenian market. Its services are provided in close collaboration with other members of the Deloitte Central Europe regional organisation and the global organisation Deloitte Touche Tohmatsu.

Supervisory Board  
President  
Leonida Klemenčič Podmiljšak

## **5. Notification of the Report of the Main Shareholder on the pre-conditions for share transfer and appropriate payment to minority shareholders in addition to the transfer of shares to the Main Shareholder**

Proposals for decisions by the shareholder ECO-INVESTMENT, a.s.:

**5.1** The General Meeting shall become acquainted with the Written Report of the Main Shareholder on the pre-conditions for share transfer and appropriate payment to minority shareholders of 18 May 2017 associated with the transfer of shares of PALOMA, higienski papirji, d.d., Sladki Vrh 1, SI-2214 Sladki Vrh, Slovenia, registration number: 5034639000 (hereinafter referred to as “Paloma d.d.” or the “Company”) currently owned by minority shareholders to the Main Shareholder of Paloma d.d. ECO-INVESTMENT, a.s., Náměstí Republiky 1037/3, Nové Město, 110 00 Praga 1, Czech Republic, registration number: 27385574 (hereinafter referred to as the “Main Shareholder” or “ECO-INVESTMENT, a.s.”), which was drawn up by the Main Shareholder, and the Independent Auditor’s Report on the audit of appropriate payment per share of Paloma d.d., of 18 May 2017, drawn up by the licenced auditor, Mr. Darko Branilovič, from the auditing company VALUTA d.d., Maribor, Slovenia.

**5.2** It has been established that the Main Shareholder holds 7,912,318 out of a total of 7,941,290 registered no par value ordinary PTSG shares of Paloma d.d. Given the fact that the Company does not hold any treasury shares, this means that, within the meaning of Paragraph 1 and 2 of Article 384 of the Companies Act (hereinafter referred to as “ZGD-1”) in force, the Main Shareholder holds 99.64% of the share capital of the Company.

**5.3** In compliance with Article 384 of ZGD-1, all PTSG shares of Paloma d.d. currently owned by minority shareholders shall be transferred to the Main Shareholder, ECO-INVESTMENT, for which the minority shareholders shall be properly paid, i.e. EUR 4.01 per share of the Company. The payment shall be made to all eligible parties (hereinafter referred to as “Eligible Parties”) in compliance with the law.

**5.4** Eligible for appropriate payment for the transfer of shares in compliance with this decision, which shall be made by the Main Shareholder to KDD (Central Registry of Non-Materialised Securities; hereinafter referred to as “KDD”) for the benefit of minority shareholders subject to Paragraph 2 and 3 of Article 23 of the Book Entry Securities Act (hereinafter referred to as “ZNVP-1”) in force, shall be minority shareholders entered in the Central Registry of Non-Materialised Securities, kept by KDD, as shareholders of the Company on the date of entry of this decision on the transfer of shares to the Main Shareholder in the Register of Companies. If any share owned by a minority shareholder is subject to a burden, the appropriate payment, for which the minority shareholder is

eligible, shall be made for the benefit of the pledgee, whereby KDD shall delete the burden in addition to transferring the shares in question to the Main Shareholder.

**5.5** As of the date of entry of this share transfer decision in the Register of Companies kept by the competent court in compliance with Article 387 of ZGD-1, all PTSG shares of the Company owned by minority shareholders shall be transferred to the Main Shareholders. KDD shall deposit these shares on a separate account which shall not be accessible by the minority shareholders.

**5.6** The General Meeting of the Company hereby authorises the Main Shareholder to file an appropriate request for the implementation of this share transfer decision in the Central Registry of Non-Materialised Securities, kept by KDD, in compliance with Paragraph 2 of Article 23 of ZVNP-1, in addition to perform all other required tasks associated with the transfer of shares owned by minority shareholders to the Main Shareholder.

**5.7** As soon as this decision on the transfer of shares to the Main Shareholder is entered into the Register of Companies, the Main Shareholder shall transfer the appropriate payment to eligible parties in compliance with this decision to KDD for the benefit and the account of all minority shareholders. KDD shall perform appropriate payments to eligible parties in compliance with Rules of Procedure and Instructions of KDD.

#### **RATIONALE:**

The provisions of Paragraph 1 of Article 384 of ZGD-1 lay down that on a proposal from a shareholder which holds shares of the company amounting to minimum 90% of the share capital of the company (main shareholder) can adopt a decision to have the shares of the remaining shareholders (minority shareholders) transferred to the main shareholder in exchange for monetary payment.

The Proponent or Main Shareholder of the Company holds 7,912,318 out of a total of 7,941,290 registered no par value ordinary PTSG shares of PALOMA, higienski papirji, d.d., Sladki Vrh, registration number: 5034639000 (hereinafter referred to as the Company). Subject to the fact that the Company does not hold any treasury shares, this constitutes 99.64% of the share capital of the Company, which means that the minority shareholder exclusion proposal condition in compliance with Paragraph 1 of Article 384 of ZGD-1 has been met.

In compliance with provisions of Articles 384 to 388 of ZGD-1, the Main Shareholder has requested that the Management of the Company convene a General Meeting of the Company in addition to proposing that the General Meeting adopts the decision on

transferring the shares of the other shareholders of the Company to the Main Shareholder against appropriate payment. The Main Shareholder hereby proposes that minority shareholders be paid EUR 4.01 per share.

Pursuant to Paragraph 2 of Article 386 of ZGD-1, the Main Shareholder encloses the Written Report of the Main Shareholder on the pre-conditions for share transfer and appropriate payment to minority shareholders of 18 May 2017 that contains the justification of the aforementioned payment and includes a clarification on how appropriate payment was calculated. The aforementioned report also shows that appropriate payment was audited by the auditor appointed by the District Court of Maribor, Mr. Darko Branilovič from VALUTA d.o.o., Maribor, Slovenia, who verified if the payment per share offered by the Main Shareholder of the Company, ECO-INVESTMENT a.s., Nove Mesto, Praga, Czech Republic, was appropriate. The aforementioned auditor drew up the Independent Auditor's Report on the audit of appropriate payment per share of Paloma d.d., of 18 May 2017, which is enclosed to the request of the Main Shareholder and contains the assessment of the auditor that the proposed price (EUR 4.01 per share of Paloma d.d.) is appropriate.

The Main Shareholder shall make the appropriate payment for the benefit of the minority shareholders (eligible parties) via KDD in compliance with Paragraph 2 and 3 of ZVNP-1 and the Rules of Procedure and Instructions of KDD in force. In compliance with the provision of Article 387 of ZGD-1, as soon as the decision of the General Meeting of Paloma d.d. on the transfer of shares is entered into the Register of Companies, all shares owned by minority shareholders shall be transferred to the Main Shareholder. All these shares shall be deposited in non-materialised form by the Central Securities Clearing Corporation (KDD) on a separate account which shall not be accessible by the minority shareholders. The Main Shareholder shall make the payment to minority shareholders as soon as the decision on the transfer of shares to the Main Shareholder is entered into the Register of Companies, in compliance with the provision of Article 23 of ZVNP-1 in force, by transferring the required amount for the benefit of all minority shareholders to KDD, d.d., Ljubljana, Slovenia, in addition to ordering KDD to transfer all minority shareholder shares from their accounts to the account of the Main Shareholder. If any of the shares is subject to a burden, KDD, d.d., shall delete the burden in addition to transferring the shares, as stipulated by Article 23 of ZVNP-1. If the deleted burden was a lien, the payment, for which the shareholder was eligible, shall be made for the benefit of the pledgee.

In compliance with the requirement of Paragraph 2 of Article 385 of ZGD-1, the Main Shareholder has already presented the Management of the Company with bank guarantee for appropriate payment to minority shareholders no. MD1710901267 of April 2017, issued by Nova Ljubljanska banka d.d., Ljubljana, Trg republike 2, SI-1000 Ljubljana, Slovenia, which renders the aforementioned bank jointly and severally liable for the fulfilment of

obligations of the Main Shareholder to pay minority shareholders for the obtained shares as soon as the decision on the transfer of the shares to the account of the Main Shareholder is entered into the register.

In compliance with Paragraph 1 of Article 386 of ZGD-1, the publication of the agenda of the regular General Meeting shall include:

- the company name and seat of the Main Shareholder and
- the payment offered by the Main Shareholder.

In compliance with Paragraph 3 and 5 of Article 386 of ZGD-1, all shareholders shall have access to the following documents at the seat of the Company prior and at the General Meeting:

- proposed share transfer decision;
- annual reports of the Company for the last three financial years,
- Written Report of the Main Shareholder on the pre-conditions for share transfer and appropriate payment to minority shareholders, including all the required appendices, and
- the auditor's report on appropriate payment.

**Materials:**

- Shareholder request for the convening of a General Meeting of 18 May 2017;
- Bank guarantee for appropriate payment to minority shareholders no. MD1710901267 of 21 April 2017, issued by NLB, d.d.;
- Written Report of the Main Shareholder on the pre-conditions for share transfer and appropriate payment to minority shareholders of 18 May 2017;
- Decision on the appointment of an auditor by the District Court of Maribor, file no. Ng 5/2017 of 17 May 2017;
- Independent Auditor's Report on the audit of appropriate payment per share of Paloma d.d., of 18 May 2017;
- annual reports of the Company for the last three financial years.

ECO-INVESTMENT, a.s.

Milan Fil'o, MBA

Miroslav Vajs, MBA

## 6. Appointment of Members of the Supervisory Board of Paloma d.d.

Proposals for decisions by the Supervisory Board:

**6.1** The General Meeting of Paloma, d.d., hereby appoints the following individuals as Members of the Supervisory Board of Paloma d.d.:

- **Milan Fišo**, [REDACTED];
- **Miroslav Vajs**, [REDACTED];
- **Richard Žigmund**, [REDACTED] and [REDACTED];
- **Leonida Klemenčič Podmiljšak**, [REDACTED].

Members of the Supervisory Board shall be appointed for a term of 4 (four) years from the day of appointment.

**6.2** By appointing new Members of the Supervisory Board, the term of the court-appointed Members of the Supervisory Board expires.

### **RATIONALE:**

In compliance with Article 13 of the Articles of Association of Paloma d.d., the Supervisory Board of Paloma d.d. is composed of six Members, out of which two represent the employees of the company and are elected by the Works' Council of the company.

The Management Board of the company received the following resignation statements by Members of the Supervisory Board:

1. The resignation statement of the Member and President of the Supervisory Board, Mr. Boštjan Gorjup, of 8 December 2016.
2. The resignation statement of the Member of the Supervisory Board, Ms. Leonida Klemenčič Podmiljšak, of 9 December 2016.
3. The resignation statement of the Member of the Supervisory Board, Ms. Andreja Cencelj, of 9 December 2016.
4. The resignation statement of the Member of the Supervisory Board, Mr. Lovro Peterlin, of 9 December 2016.

On 28 December 2016, the resignation of four of total six Members of the Supervisory Board came into force, and, as such, the number of Members was no longer sufficient to obtain a quorum. In compliance with Paragraph 1 of Article 276 of the Companies Act (ZGD-

1), the Management Board shall apply before the court for the appointment of Members of the Supervisory Board as soon as it finds that no quorum can be established. In light of the foregoing, the Management Board of Paloma d.d. Proposed to the court on 29 December 2016 to issue the following decision:

*On the proposal of the Management Board of Paloma d.d., Sladki Vrh 1, SI-2214 Sladki Vrh, Slovenia, the following individuals are hereby appointed as Members of the Supervisory Board of Paloma d.d.: Mr. Milan Fišo, [REDACTED]; Mr. Miroslav Vajs, [REDACTED]; Mr. Richard Žigmund, [REDACTED], and [REDACTED]. They shall hold office until new Members of the Supervisory Board are elected at the General Meeting of Paloma d.d.*

On 5 January 2017, the District Court of Maribor issued decision No. Ng 17/2016 granting the proposal of the Management Board of Paloma d.d. and appointing Mr. Milan Fišo, Mr. Miroslav Vajs, Mr. Richard Žigmund and Ms. Leonida Klemenčič Podmiljšak as Members of the Supervisory Board of the joint-stock company Paloma d.d.

In compliance with Article 256 of ZGD-1, court-appointed Members of the Supervisory or Management Board shall hold office until new Members of the Supervisory Board are appointed in compliance with the Articles of Association of the company.

The major shareholder of Paloma d.d., ECO-INVESTMENT, a.s., proposed the election of four new Members of the Supervisory Board of Paloma d.d. Candidates for Members of the Supervisory Board of Paloma d.d. shall be selected in compliance with the provisions of ZGD-1 and shall be subject to appropriate professional qualifications, characteristics and know-how required for the management and supervision of the operations of the company, business excellence, personal integrity and timely availability.

The major shareholder of Paloma d.d., ECO-INVESTMENT, a.s., proposed the election of four candidates for election as Members of the Supervisory Board of Paloma d.d., as follows:

1. **Milan Fišo,** [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

[REDACTED]

2. **Miroslav Vajs,** [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

3. **Richard Žigmund,** [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

4. **Leonida Klemenčič Podmiljšak,** [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

All the aforementioned candidates have consented to their candidacy and have provided the company with a written declaration that there are no circumstances subject to the provisions of the Companies Act (ZGD-1), which would be contrary to their appointment as Members of the Supervisory Board of Paloma d.d.

**Materials:**

- Consent to the appointment and declaration pursuant to Article 255 of Companies act (ZGD-1), Mr. Milan Fiľo;
- Consent to the appointment and declaration pursuant to Article 255 of Companies act (ZGD-1), Mr. Miroslav Vajs;
- Consent to the appointment and declaration pursuant to Article 255 of Companies act (ZGD-1), Mr. Richard Žigmund;
- Consent to the appointment and declaration pursuant to Article 255 of Companies act (ZGD-1), Mrs. Leonida Klemenčič Podmiljšak.

Supervisory Board

President

Leonida Klemenčič Podmiljšak

## **Materials**

General Meeting materials including proposals for decisions can be reviewed by the shareholders at the seat of the company, Sladki Vrh 1, 2214 Sladki Vrh, Slovenia, on all working days between 9 AM and noon from the day of convening of the General Meeting up to and including the day the General Meeting is due to be held. In compliance with Directive 2007/36/EC of the European Parliament and of the Council, all the required information shall also be available on the website of the Company: <http://www.paloma.si/si/>.

## **Discussion of proposals**

Published proposals shall be deliberated by the General Meeting of Shareholders by agenda item. Items subject to decisions of the General Meeting shall be voted on with ballot papers.

## **Agenda amendments and shareholder proposals**

All shareholders of the company with a 20% share of the share capital shall hold the right to demand an additional agenda item in writing within seven days from the day of published convening of the General Meeting. Their demand shall include a proposed decision in writing that the General Meeting shall deliberate on or, if the General Meeting does not adopt a decision when deliberating on a specific agenda item, a clarification of the agenda item.

Shareholders shall hold the right to propose decisions in writing with regard to any agenda item. A proposal of a shareholder shall be published and notified in the manner laid down in Article 296 of ZGD-1 if the shareholder has, within seven days from the day of published convening of the General Meeting, provided the company with a justified proposal in addition to a notification that they shall object to the proposal of the Management or Supervisory Board at the General Meeting and ensure that other shareholders vote for its proposal instead. The foregoing shall be, mutatis mutandis, applicable also to the proposal of the shareholder on the election of Members of the Supervisory and Management Boards and appointment of auditors, whereby the election proposal shall not be subject to a justification.

At the General Meeting, shareholders shall hold the right to exercise their right to information in compliance with Paragraph 1 of Article 305 of ZGD-1.

## **Participation in the General Meeting**

The General Meeting may be attended by and their voting rights exercised by all shareholders entered in the Central Registry of Non-Materialised Securities as shareholders as of the end of the fourth day prior the General Meeting is held, that is as of 18 June 2017.

The General Meeting may be attended by and their voting rights exercised by all shareholders or their proxies. The power of attorney shall be in writing. The General Meeting may be attended by and their voting rights exercised by all shareholders who RSVP to the Management Board of the company that they intend to attend the General Meeting no later than at the end of the fourth day prior the General Meeting is held

In order to participate in the General Meeting, natural persons shall produce an identity document and legal representatives an extract from the Register of Companies or any other proof of legal representation.

As of the day of convening of the General Meeting, the company has 7,941,290 registered no par value ordinary shares. In compliance with ZGD-1, each ordinary share gives its holder one vote at the General Meeting.

In Sladki Vrh, on 19 May 2017

Paloma, d.d.

President of the Management Board  
Tadej Gosak, M.A.

Member of the Management Board  
Subhi Brož, MBA

President of the Supervisory Board  
Leonida Klemenčič Podmiljšak