



## QUESTIONS REGARDING THE RHEINMETALL DEAL

The Rheinmetall deal was presented to the public as an exceptional achievement by state institutions, which had succeeded in attracting a strategic investor. However, the scant information available raises many questions that should be answered in the near future.

### 1. Valuation method:

- What methodology was used to evaluate the entire company in order to determine the value of the 51% stake? (e.g., Discounted Cash Flow (DCF) method, comparison with similar transactions, Book Value Method).
- What are the main assumptions in the valuation model? (e.g., prices, projected revenues, profit margins, growth rates, discount rate reflecting risks). What is the rationale for these assumptions?
- Has an independent valuation been performed using an established and transparent methodology? If so, who performed the valuation and what are its conclusions? If not, why not?

### 2. Financial contribution of Rheinmetall:

- What is Rheinmetall's specific financial contribution for a 51% share? Will the contribution be in the form of cash capital, or will it also include the value of know-how, licenses, technologies, and intellectual property rights?
- If the value of intellectual property is included, how was it assessed? (e.g., royalty fee method, value-added method). Is there evidence that this assessment is fair?
- What is the exact amount of cash that Rheinmetall will invest? What is the schedule for these investments?

### 3. Contribution of the Bulgarian side:

- What is the specific financial value of Bulgaria's 49% share? Will these funds be provided from the budget or will they be secured in another way?
- What is the policy for distributing profits? Will they be reinvested in Bulgaria or distributed as dividends to Rheinmetall? It is important to secure funds for future development and modernization.
- How will Bulgaria's contribution be assessed? Will it be assessed solely in financial terms, or will other assets such as land, existing production facilities, skilled personnel, or government contracts also be included?



#### 4. Guarantees and risks:

- Does Rheinmetall guarantee a minimum investment amount?
- What happens if the company fails to meet its financial commitments?
- Who bears the risks associated with future losses or technological obsolescence of the products? Due to its majority stake, Rheinmetall will have control, but it must be clarified how financial losses will be distributed if they occur.

#### 5. Fairness of the deal:

- Is the value of the 51% stake considered fair in comparison to the contribution of the Bulgarian side? Often in such deals, the contribution of the public side (land, existing infrastructure, supply contracts) may not be adequately assessed.
- What is the rationale for Rheinmetall gaining control of the company with a 51% stake? Why not 50:50? Why has a more equitable capital structure not been considered, which would give the Bulgarian side greater control over strategic issues?
- How will Bulgarian interests be guaranteed in the management? Although Rheinmetall will have a majority stake and control, it is important to know how the seats on the board of directors will be distributed and what veto rights the Bulgarian side will have on strategic issues such as profit distribution, reinvestment, technology transfer, and future investments.
- How will the right of access to technology be ensured? With a 49% stake, Bulgaria does not automatically have full access to know-how. It is crucial to ask how technology transfer and training of Bulgarian specialists will be ensured so that the plant does not simply become an "assembly base."
- How will prices and markets be determined? To what extent will Bulgaria have a say in determining the prices of manufactured products, both for the Bulgarian army and for export? Rheinmetall may have a strategy to direct production to certain markets, which may conflict with Bulgarian interests.

#### 6. Questions related to future development:

- Is there a plan to increase Bulgaria's share in the future? Can an option to purchase additional shares after a certain period of time be negotiated?
- What will be Bulgaria's role in research and development (R&D)? Will there be Bulgarian engineers and scientists working on the development of new products and technologies, or will the country's role be limited to licensed production?



- What are the guarantees for Rheinmetall's long-term presence in Bulgaria? With a majority stake, the company has the right to make decisions about the future of the plant, including its closure. It is important to know how the sustainability of the investment is guaranteed.

**Asking these questions is essential, as determining the value of the shares is a key factor in the fairness of the entire deal and whether Bulgaria will gain or lose from this partnership in the long term.**