

Translation from Latvian

Joint Stock Company “Latvijas Gāze”

Registration No. 40003000642, registered address 20 Vagonu street, Riga, LV-1009

SPIN-OFF DECISION

Riga

August 15, 2017

No. [TBC]

Joint Stock Company “Latvijas Gāze” (hereafter, the Company), registered with the Commercial Register maintained by the Republic of Latvia Enterprise Registry (hereafter, the Commercial Register) on 20 December 2004 under registration No. 40003000642, having its registered address at 20 Vagonu street, Riga, LV-1009, and represented by its Chairman of the Management Board Aigars Kalvītis and members of the Management Board Zane Kotāne and Gints Freibergs,

based on Resolution No. ____ “_____” dated Augusts 15, 2017 of the Company’s extraordinary meeting of shareholders (hereafter, the Reorganisation Resolution) and considering that:

A. On 11 February 2016, the Parliament (*Saeima*) adopted amendments to the Energy Law, including Article 45, paragraphs 2 and 3 that will take effect as of 1 January 2018;

B. According to Article 355 (3) of the Commercial Law, where as a result of division of a company, a new acquiring company is established and no other existing company is involved in the reorganisation, the divided company takes a decision on spin-off (hereafter, the Divestment Decision) that replaces the reorganisation agreement referred to in Article 338 of the Commercial Law;

C. On 16 June 2017, the Company’s extraordinary meeting of shareholders resolved to approve the commencement of the Company’s spin-off process, establishing that the Company itself becomes the sole shareholder of the acquiring company;

D. According to Article 350 (1) of the Commercial Law, reorganisation of the Company shall be deemed effective as of the moment when the entries are made in the Commercial Register regarding the Company and the newly established company;

E. On 20 June 2017, the Management Board of the Company adopted the draft Divestment Decision and authorised the Chairman of the Management Board Aigars Kalvītis and members of the Management Board Zane Kotāne and Gints Freibergs to sign the Divestment Decision after the approval thereof at the Company’s meeting of shareholders;

the Company is reorganised subject to the following terms and conditions:

1. Type of Reorganisation

1.1. The Company shall be reorganised by way of the spin-off (divestment), where the Company is the divided company.

1.2. Reorganisation of the Company as the divided company shall be carried out in accordance with Article 336 (4) of the Commercial Law by spinning-off commercial activity and part of the assets of the Company (hereafter, the Assets) which are described in the Asset Distribution Deed No. ____ dated 15 August 2017 of the Joint Stock Company „Latvijas Gāze” attached to the Divestment Decision (hereafter, the Asset Distribution Deed).

1.3. As a result of reorganisation, the Assets of the Company shall be transferred solely to the newly established acquiring company.

1.4. The Company as a divided company shall continue to exist after the reorganisation.

2. Share Capital and Shares of the Company

2.1. The Company's share capital is EUR 55 860 000 (fifty-five million eight hundred sixty thousand euros), divided into 39 900 000 (thirty-nine million nine hundred thousand) shares with a par value of each share EUR 1.40 (one euro and forty cents).

2.2. All shares of the Company are of the same class. 25 328 520 (twenty-five million three hundred twenty-eight thousand five hundred twenty) shares of the Company are bearer shares listed on Nasdaq Riga Stock Exchange.

2.3. The process of reorganisation has no effect on the share capital, number and par value of the Company's shares.

3. Acquiring Company and Its Share Capital

3.1. As a result of dividing the Company, a new acquiring company shall be incorporated, under the name of joint stock company "Gasol" (hereafter, the Acquiring Company) and which shall have its registered address at Vagonu iela 20, Rīga, LV-1009.

3.2. The share capital of the Acquiring Company will be EUR 39 900 000 (thirty nine million nine hundred thousand euro). The par value of one share of the Acquiring Company shall be EUR 1 (one euro).

3.3. All shares of the Acquiring Company shall be dematerialised registered shares carrying equal rights to receive dividends and liquidation quota, as well as voting rights at the meeting of shareholders.

4. Transfer of Assets

4.1. The Company shall spin-off and transfer to the Acquiring Company the Assets indicated in the Asset Distribution Deed.

4.2. Recognized undistributed profits in the balance of the Company after the reorganization shall not be distributed until the term of 5 years has passed for joint liability under Section 20 and 351 of Commercial Law, or until the Company has sold the owned shares of the Acquiring Company considering the following: if a part of the shares shall be sold then the corresponding proportional part of the undistributed profits can be advanced to distribution.

4.3. The difference between net worth of the Assets and the equity capital shall be accounted as reserves by the Acquiring Company.

4.4. The Acquiring Company shall take over all rights and obligations of the Company attributable to the Assets and segregated types of business operations, including the rights and obligations described in the Asset Distribution Deed and resulting from the agreements concluded between the Company and third parties in respect to the Assets.

4.5. Transactions entered into by the Company in relation to the Assets shall be deemed the transactions of the Acquiring Company in the Acquiring Company's accounts as of the date which shall be indicated as the starting day to provide the services in the license issued by the Public Utilities Commission to the Acquiring Company.

4.6. The Company shall transfer the Assets to the Acquiring Company on the basis of a delivery and acceptance deed within one month of the effective date of reorganisation.

4.7. After the effective date of reorganisation the Company and the Acquiring Company shall perform all activities provided for by the law in respect to title change to the real estate and movables listed in the Asset Distribution Deed, which are registered in the public registers.

4.8. After the effective date of the reorganisation, if necessary, the Company provides assistance to the Acquiring Company as to the distribution system operator for acquiring the required licences and permissions.

4.9. If necessary, the Company and the Acquiring Company shall novate the agreements concluded between the Company and the third parties, which are transferred to the Acquiring Company pursuant to the Asset Distribution Deed.

5. Effects of Reorganisation on the Company's Employees

5.1. No later than within one month of the date of adoption of the Spin-off Decision the Company's Management Board shall pursuant to the provisions of Article 120 of the Labour Law inform the Company's employees regarding the reorganisation, the reasons thereof, legal, economic and social consequences of the reorganisation as well as measures which will be taken in respect of the employees.

5.2. The Acquiring Company shall take over the rights and obligations of the Company arising from employment relationship with the Company's employees included in the list "Employees to be transferred to the Joint Stock Company "Gasol" approved by the Company's Management Board. These employees shall be transferred to the Acquiring Company as of the effective date of reorganisation. In accordance with Article 118 (3) of the Labour Law, the Company shall inform the Acquiring Company regarding the rights and obligations referred to in the first sentence of this Clause, to the extent that the Company is aware of them.

5.3. In accordance with the provisions of Article 118 (4) of the Labour Law, after the effective date of reorganisation the Acquiring Company shall continue to comply with the provisions of the collective employment agreement previously concluded by the Company and remaining in effect on the effective date of reorganisation until the expiration of the said collective employment agreement or entering into force of a new collective employment agreement, or the moment when the provisions of other collective employment agreement would become applicable.

6. Shareholders and Shares of the Acquiring Company

6.1. Pursuant to the provisions of Article 336 (5) of the Commercial Law, the Company shall become the sole shareholder of the Acquiring Company.

6.2. The Company shall become the shareholder of the Acquiring Company (and acquire all rights and obligations of the shareholder provided for by the Commercial Law and Articles of Association of the Acquiring Company) as of the effective date of reorganisation.

6.3. Considering that the Company is reorganised by way of divestment, as a result whereof a new company is established (i.e., Acquiring Company) and the Company will become the sole shareholder of the Acquiring Company, there will be no exchange of shares among the companies involved in reorganisation and no share exchange ratio and premiums shall be established in the Divestment Decision.

6.5. Shares of the Acquiring Company shall grant the rights to receive dividends after approval of the annual report or business activity report of the Acquiring Company as provided for by the Commercial Law, as well as adoption of the relevant Acquiring Company's shareholders' meeting decision on allocation of dividends and payment thereof.

7. Rights granted by the Acquiring Company

7.1. Considering that all shares of the Company are of the same class, the Acquiring Company shall not grant to the Company's shareholders any special rights in relation to reorganisation of the Company.

7.2. Considering that the Company has not issued convertible bonds, there are no bondholders to whom the Acquiring Company could grant any special rights in relation to reorganisation of the Company.

7.3. The Acquiring Company shall not grant any special rights to the members of the Supervisory Board and Management Board of the Company in relation to reorganisation of the Company.

7.4. The Acquiring Company is a separate company with a status of independent legal person and separated from production, transmission and storage of the natural gas, provision of service and marketing activities of liquid gas, and for the purposes of communication and of building of its own brand ensures that its identity is separated from the identity of the Company as of the commercial structure of the natural gas supply business.

8. Activities to be performed in the Reorganisation Process and the terms thereof

8.1. Within fifteen days as of the adoption of the Reorganisation Decision the Company's Management Board shall give written notice to that effect to all known creditors of the Company who until the date of adoption of the Reorganisation Decision had claims against the Company. The Management Board shall procure that the official publisher „Latvijas Vēstnesis” publishes an announcement on adoption of the Reorganisation Decision pursuant to the provisions of Article 335 (2) of the Commercial Law (hereafter, the Announcement), setting the period of one month as the term for submitting the creditors' claims.

8.2. The Company's Management Board shall convene the Acquiring Company's meeting of shareholders not later than within four months after the publication of the Announcement. The meeting shall approve the Articles of Association of the Acquiring Company, elect the Company's Supervisory Board and the management board, and take other steps required upon establishment of a joint stock company.

8.3. In accordance with Article 344 of the Commercial Law, the Company's Management Board shall inform the Company's meeting of Shareholders meeting and the Acquiring Company's Management Board regarding all material changes in the financial standing of the Company which have occurred before the effective date of reorganisation. Changes shall be deemed material if the value of a single transaction or event exceeds EUR 10 000 000 (ten million euros).

8.4. In accordance with the provisions of Article 347 (1) of the Commercial Law, the Company's Management Board shall file an application with the Enterprise Registry to procure that an entry is made in the Commercial Register regarding reorganisation of the Company and the Acquiring Company.

9. Liability for the Commitments of the Company

9.1. The Acquiring Company shall be jointly and severally liable towards third parties in accordance with the Commercial Law.

Enclosed: Asset Distribution Deed No. ____ dated 15 August 2017 of the Joint Stock Company „Latvijas Gāze” on ____ pages

Chairman of the Management Board

A.Kalvītis

Member of the Management Board

Z.Kotāne

Member of the Management Board

G.Freibergs