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**To Shareholders of AB Klaipėdos nafta**

**NOTICE**
26/06/2019
Vilnius

REGARDING VIOLATION OF MINORITY SHAREHOLDERS' RIGHTS BY DECISIONS OF THE EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS OF AB KLAIPĖDOS NAFTA OF 27 JUNE 2019

By issuing this Notice, UAB koncernas ACHEMOS GRUPĖ ('**KAG**') shares information about potential violations of shareholders' rights resulting from AB Klaipėdos nafta's ('**KN**') intentions to transfer its business of the liquefied natural gas (the '**LNG**') terminal and to restrict the minority shareholders' interests and requests KN to notify this to all its shareholders.

In its notice of 5 June 2019 (the '**KN Notice**'), KN informed about the convention of an extraordinary general meeting of shareholders of the company at 13.00 on 27 June 2019 (the '**GMS**') providing draft decisions of the meeting, according to which KN separates the LNG terminal's business from the company and transfers it to its subsidiary, however, in violation of mandatory requirements for reorganisation established in the Civil Code of the Republic of Lithuania (the '**CC RL**') and the Republic of Lithuania Law on Companies (the '**LC**') and infringing the rights of minority shareholders of KN. Violations of the shareholders' rights are listed below:

- **KN's shareholders will not receive shares in SGD terminalas UAB upon transfer of the LNG terminal business to this company by KN**. If reorganisation of KN is implemented by the method of split-off, the shares held by shareholders shall be exchanged for the shares of the companies that will operate after the reorganisation, i.e. the shares of SGD terminalas UAB must be allocated to current shareholders of KN as required by Article 67(1) of the Law on Companies. **In his case, imperative provisions of the said Article 67(1) of LC were not complied with**;
- **Minority shareholders will be denied the right to receive information about the operations of the LNG terminal, which is guaranteed by Article 18 of the Law on Companies**. The said Article obligates the company to provide information to its shareholders. As KN will not enable its shareholder to receive shares of SGD terminalas UAB upon splitting the LNG business off, the said company – the KN's subsidiary will not be obliged to furnish KN's shareholders with information;
- As a result of such decisions, **dividends will be reduced or not paid at all, activities of KN and SGD terminalas UAB will be duplicated, and KN will incur additional costs that have not been considered at all.** A memorandum by PricewaterhouseCoopers UAB issued on 31 December 2018 presented together with the KN Notice states that the [difference] between the fair value of the business and the book value of the net assets contributed (including the cash contributed additionally) will be disclosed in the financial statements as a negative reserve by which the **dividends payable will be reduced** (see p. 6 and 12 of PricewaterhouseCoopers UAB's Memorandum dated 31/12/2018). Furthermore, the draft KN Articles of Association presented together with the KN Notice state the LNG terminal's operations the same as in the current Articles of Association of KN which is still carrying out the LNG terminal's operations. KN points out that none of the 142 persons currently employed in the LNG terminal's business will be made redundant and that part of the

employees (KN does not specify the number) **will be transferred to SGD terminalas UAB and will work at both companies.**

Company mergers and divisions of companies are governed by the reorganisation institute the main provisions on which are established in Volume Two of CC RL and the LC. The latter also establishes the method of dividing a company – split-off (Article 71 of LC). The law defines splitting off of a company as a separation of part of a legal entity that will continue as a going concern and the formation of a new company/companies on the basis of the assets, rights and liabilities assigned to that part.

An essential feature of a legal entity's reorganisation institute is that, during this procedure, certain operations (rights, liabilities and assets) of the legal entity under reorganisation can be transferred to another legal entity, either newly established or already in existence, which is what KN intends to do with its LNG terminal's business. Legal acts establish **mandatory requirements aimed at protecting interests of shareholders and creditors of companies under reorganisation.**

**Mandatory legal requirements for the splitting-off of the LNG terminal's operations which are not being fulfilled by KN**

During the reorganisation procedure, all shareholders and creditors must be informed by both issuing a notice and preparing reports by management bodies or independent auditors. According to Article 65 of the Law on Companies, a legal entity implementing a reorganisation must publish information about the reorganisation: the reorganisation terms must be published in a source specified in the Articles of Association (in the press or an electronic newsletter of the Register of Legal Entities) three times, at intervals of at least 30 days, or must be published once and notified to all creditors in writing.

No later than 30 days prior to the day of the general meeting of shareholders the agenda of which contains taking of a decision on reorganisation, each shareholder and creditor of the company must be afforded an opportunity to familiarise themselves, at the offices of the company being reorganised and companies taking part in the reorganisation, with:

1. The Reorganisation Terms;
2. Amended Articles of Association of the companies continuing as a going concern after the reorganisation or new companies formed upon reorganisation;
3. Financial statements and annual reports of the companies under reorganisation and companies taking part in the reorganisation for the past three years (if the Reorganisation Terms are drafted over 6 months after the end of fiscal year – also interim financial statements);
4. Reports on the assessment of the Reorganisation Terms;
5. Reports on contemplated reorganisation prepared by the boards of the companies under reorganisation and companies taking part in the reorganisation.

Article 63(2) of the LC also provides for the obligation of the company under reorganisation to obtain an assessment of the Reorganisation Terms from an independent auditor (an opinion on the correctness and justification of the share exchange ratio stated in the Reorganisation Terms must be obtained).

According to the LC, a company is exempted from the obligation to obtain an assessment of the Reorganisation Terms and the assessment report if all the shareholders of each company under reorganisation or taking part in the reorganisation gave their consent. The same applies to the obligation for a management body to prepare a report – provided that all the shareholders give their consent (Articles 63(5) and 64(2) of the Law on Companies).

To sum up, the following main actions are required for the reorganisation by the method of split-off, and **KN has failed to perform these actions**:

1. Take a decision to initiate a reorganisation;

2. Draft the Reorganisation Terms and the new Articles of Association of the companies continuing as a going concern upon reorganisation; provide the opportunity for familiarisation with financial statements of the company under reorganisation for the past 3 years; prepare interim financial statements if the Reorganisation Terms are drafted within 6 months after the end of fiscal year (they must not be prepared earlier than 3 months prior to the date of the Reorganisation Terms);
3. Obtain an assessment of the Reorganisation Terms from an audit firm, which must present an assessment report;
4. Written reports on the contemplated reorganisation issued by management bodies;
5. Publish a notice of the Reorganisation Terms 3 times at intervals of at least 30 days;
6. Submit the Reorganisation Terms and the Report on the Assessment of the Reorganisation Terms (if issued) to the Register of Legal Entities;
7. Enable shareholders and creditors to familiarise themselves with the aforesaid reorganisation documents;
8. The creditors have the right to require additional securities of discharge of liabilities;
9. The general meeting of shareholders takes the decision to reorganise the company and approves the Reorganisation Terms; amendments to the Articles of Association of the companies continuing as a going concern after reorganisation are made.

Article 2.84(4) of CC RL establishes that decisions taken by bodies of legal entities can be invalidated by a court if the decisions are contrary to imperative legal provisions, constitutional documents of a legal entity, or principles of reasonableness or good faith.

**KAG believes that, by proposing the draft decisions of GMS specified in KN Notice, KN seeks to circumvent the mandatory provisions of the LC and the CC RL, thus restricting the shareholders' rights ungroundedly. Therefore, we are asking the shareholders to take this into consideration and to prevent violations of interests of minority shareholders.**

*If you have any questions please do not hesitate to contact Mr Vaidas Radvila, Solicitor at Leadell Balčiūnas ir Grajauskas Law Firm, email: vaidas.radvila@leadell.com, telephone: +370 5 2487467.*

Sincerely
On behalf of UAB koncernas ACHEMOS GRUPĖ
Solicitor Vaidas Radvila
(Signed with the electronic signature)