



JSC CONEXUS BALTIC GRID FOUNDATION MEETING

December 22, 2016

CONEXUS BALTIC GRID OBJECTIVES



- The requirement to establish the company follows from the 3rd energy liberalisation package of the EU (Directive 2009/73) and the relevant amendments of February 11, 2016 introducing an obligation to separate the unified natural gas transmission and storage operator (Conexus Baltic Grid) from the vertically integrated company (Latvijas Gāze)
- Mission: to ensure a stable and reliable natural gas supply and an efficient market functioning in the Baltic Sea region.
- Objectives
 - to become the leader of the Baltic region by utilising the advantages of the storage and geographical situation;
 - to ensure the availability of convenient and transparent services.

COURSE OF ESTABLISHMENT OF CONEXUS BALTIC GRID



- On September 2, 2016 the extraordinary shareholders' meeting of Latvijas Gāze decided in favour of reorganisation by way of spinning off the natural gas transmission and storage business units into a new company (Conexus Baltic Grid)
- Today's plan is to elect both the Council (by the shareholders) and the Board (by the newly elected Council) of Conexus Baltic Grid
- Conexus Baltic Grid will start full-fledged operation as of the moment of registration with the Commercial Register (expected in the first week of January 2017)
- Pursuant to the Energy Law amendments of February 11, 2016, by the end of 2017 Latvijas Gāze and Conexus Baltic Grid will have to be made independent from each other at ownership level, too (the requirements do not apply to minor shareholders and financial investors)

KEY CHANGES IN THE OPERATION OF LATVIJAS GĀZE AFTER 02.09.2016

- Under Section 344 of the Commercial Law and Article 8.3 of the Spin-off Decision, the Board is due to report on the key changes in the financial situation of Latvijas Gāze (changes above 10 million EUR). Hence we announce that in order to ensure the refinancing of capital investments in the transmission and storage system and a balanced structure of equity and borrowed capital, Latvijas Gāze has raised a loan of 35 million EUR.

STRUCTURE OF SHAREHOLDERS

- According to the written applications for shares by shareholders of Latvijas Gāze and the voting in favour of reorganisation at the Shareholders' meeting of September 2, today's initial list of shareholders includes 4,839 shareholders with a total of 39,786,089 shares (0.3% less than in Latvijas Gāze)

Gazprom PJSC	34.1%
Marguerite Gas I S.ar.l.	29.1%
Uniper Ruhrgas International GmbH	18.3%
ITERA Latvija LLC	16.0%
Others	2.5%

SHARES

- Nominal value of share: 1 EUR
- Closed joint stock company
- Registered shares entered in the Register of Shareholders
- The register of shares will be maintained by the Latvian Central Depository which will re-register shares and provide information on shares owned
- Share sale-purchase transaction forms will be available on the company's website

VOTE OPTIONS

The floor is given to certified lawyer
Sandis Petrovičs

APPROVAL OF ARTICLES OF ASSOCIATION

- Requires $\frac{3}{4}$ of the attendees' votes
- **IN FAVOUR:** upon positive vote become shareholders
- **NOT IN ATTENDANCE / NOT VOTING:** upon positive vote still become shareholders
- **AGAINST:** upon positive vote may remain shareholders or request redemption of shares

CALCULATION OF REMUNERATION FOR REDEMPTION OF CBG SHARES (1)

- Section 353 Paragraph two of the Commercial Law entitles CBG shareholders having voted against the approval of CBG Articles of Association at the foundation meeting to request redemption of their CBG shares within 2 months after the effective date of reorganisation (entry in the Commercial Register on the foundation of CBG and the reorganisation of LG)
- Redemption price = CBG liquidation quota
 - Calculated as at the moment of adoption of the reorganisation decision (Section 353 Paragraph four of the Commercial Law – September 2, 2016)
 - The quick sale value of the assets transferred to CBG (follows from the essence of liquidation – sale of assets), minus the sum of debts transferred to CBG
 - The quick sale value of 1 CBG share is unlikely to exceed the pro-rata value of the price of 1 LG share at NASDAQ Riga on September 2, 2016 (with the proportion calculated from the share of assets transferred to CBG)

CALCULATION OF REMUNERATION FOR REDEMPTION OF CBG SHARES (2)

- If any shareholder requests redemption of their shares, CBG will hire a financial advisor to calculate the liquidation quota
- Since the calculations require (i) a thorough and extensive analysis of the quick sale value of all LG assets and then (ii) a calculation of the pro-rata value of the assets transferred to CBG, this process will take a long time, estimated to 8 months.
 - Hence, the shareholder might only receive the remuneration in late 2017.

YOUR QUESTIONS ARE WELCOME!

Further information:
on Latvijas Gāze website www.lg.lv
in January 2017 on www.Conexus.lv