

Translation from Latvian

Joint Stock Company “Latvijas Gāze”

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

SPIN-OFF DECISION

Riga

2 September 2016

No _____

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 2 September 2016 “_____” 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 111, paragraphs 1 and 2 that will take effect as of 3 April 2017;

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 Spin-off Decision) that replaces the reorganisation agreement referred to in Article 338 of the Commercial Law;

C. On 22 March 2016, the Company’s extraordinary meeting of shareholders resolved to approve the commencement of the Company’s spin-off process, establishing that all existing shareholders of the Company may become shareholders of the newly established acquiring company in accordance with the Commercial Law;

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 24 May 2016, the Management Board of the Company adopted the draft Spin-off 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 Spin-off 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 spin-off, 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 part of the assets of the Company required for the storage and transmission of natural gas (hereafter, the Assets) and consisting of:

1.2.1. assets owned by the Company, which are comprised of tangible assets (for instance, equipment, real estate, office furniture, funds) and intangible assets or rights (for instance, claims against debtors, rights in rem), as well as other economic benefits (valuables) which the Company as a business entity uses for storage and transmission of natural gas;

1.2.2. liabilities (for instance, commitments of the Company as a business entity) incurred by the Company in relation to storage and transmission of natural gas.

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 "Conexus Baltic Grid" (hereafter, the Acquiring Company) and which shall have its registered address at 6 Aristida Briāna street, Riga, LV-1001.

3.2. The share capital of the Acquiring Company shall not exceed EUR 39,900,000 (thirty-nine million nine hundred thousand euros). 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.

3.4. The exact amount of the Acquiring Company's share capital (within the limits specified in Clause 3.2 of the Spin-off Decision) and the number of shares shall be determined by the Company's Management Board after preparation of the Acquiring Company's list of shareholders (hereafter, the List of Shareholders) referred to in Clause 6.2 of the Spin-off Decision, provided that each shareholder of the Company who will be included in the List of Shareholders shall receive the same number of shares in the Acquiring Company as are held by him or her in the Company.

4. Transfer of Assets

4.1. The Company shall spin-off and transfer to the Acquiring Company the Assets which are necessary for ensuring business operations related to storage and transmission of natural gas and which are described in the Asset Distribution Deed No. ___ dated 2 September 2016 of the Joint Stock Company „Latvijas Gāze” attached to the Spin-off Decision (hereafter, the Asset Distribution Deed).

4.2. The transferable Assets of the Company shall also include other equity reserves of the Company before spin-off which at the time of preparation of the Company’s spin-off balance sheet referred to in Section 2 of the Asset Distribution Deed shall be calculated as the difference between the transferable assets, transferable liabilities and the share capital of the Acquiring Company.

4.3. 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.

4.4. 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 next business day following the effective date of reorganisation of the Company.

4.5. 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.

4.6. 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.

4.7. 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 “Conexus Baltic Grid”” 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 355 (4) of the Commercial Law, all shareholders of the Company may become the shareholders of the Acquiring Company and acquire the same number of shares in the Acquiring Company as is held by them in the Company.

6.2. Shareholders of the Acquiring Company and the number of shares in the Acquiring Company held by them shall be specified in the List of Shareholders that shall be prepared by the Company's Management Board after the adoption of the Reorganisation Decision.

6.3 Shareholders of the Company included in the List of Shareholders shall become the shareholders 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.

6.4. Considering that the Company is reorganised by way of spinoff, as a result whereof a new company is established (i.e., Acquiring Company) and the shareholders of the Company will become the shareholders of the Acquiring Company pursuant to Clauses 6.1 – 6.3 of the Spin-off Decision, 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 Spin-off Decision. This provision complies with the explanation on Article 338 (2) 2) and Article 355 (3) of the Commercial Law provided in the Explanatory Notice No. 2-5-27332/2 of the Republic of Latvia Enterprise Registry dated 16 March 2016.

6.5. Shares of the Acquiring Company shall grant the rights to the Acquiring Company's shareholders 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' 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.

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 take other steps required upon establishment of a joint stock company. Promptly after the Acquiring Company's meeting of shareholders, the Acquiring Company's Supervisory Board meeting shall be convened, which shall elect Acquiring Company's Management Board members.

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 Company and Acquiring Company shall be jointly and severally liable for all commitments of the Company towards third parties incurred by the Company before the effective date of reorganisation.

9.2. Within the scope of their mutual relationship pursuant to Clause 9.1 of the Spin-off Decision, the Company and the Acquiring Company shall agree in a separate contract on the procedure for covering the claims of third parties.

Enclosed: Asset Distribution Deed No. ____ dated 2 September 2016 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