

Corporate actions practice guide

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GENERAL PROVISIONS

This Corporate Actions (CA) Practice Guide describes various CA procedures in Central Securities Depository of Lithuania (CSDL or Depository) and in general in Lithuania. The required procedures can vary depending on the issuing companies, legislation and market practice. This Practice Guide combines legal aspects, market practice, making of entries in securities accounts and functionalities of market participants in one document as to help potential investors, market participants and other CSDs better understand and be informed about CA execution in Lithuania.

The issue of securities (financial instruments) and other corporate actions taking place on the initiative of the issuer or depending on his will, **which change the parameters of securities accounts**, are considered to be stock events. The stock event is considered to have taken place when on the basis of the documents submitted by the issuer (issuer's agent), the Depository makes corresponding entries in the securities accounts.

In compliance with the legal acts regulating specific stock events and carrying out operations related with stock events, the Depository manages securities accounts of the first tier of accounting (general accounts) by making appropriate accounting entries therein, while the account managers manage securities accounts of the second tier of accounting (personal accounts) by making appropriate accounting entries in accordance with the requirements of the legal acts and the regulating documents of the Depository.

The issuer (issuer's agent) must inform the Depository in writing on the stock events and submit all the documents required by the Depository not later than 5 business days prior to the day the stock event is expected, and in cases of equity securities, in additional not later than the following business day after the receipt of the relevant documents from the state and/or municipal institutions.

The Depository announces publicly about the stock events reported to it not later than 2 days prior to their expected commencement.

In carrying out accounting operations (related with the stock event, during which the number of financial instruments held by investors is to be increased or decreased), the Depository makes relevant entries in those securities accounts of the first tier of accounting, which hold accounting records of the relevant securities at the end of the accounting day of the stock event. In the second tier of accounting, where the investor concerned is no more a client of the account manager on the date the entry in securities accounts is to be made, the account manager must open a technical account specified by the Depository fully identifying the respective investor, and immediately place with the Depository an instruction to transfer the respective securities to the general securities account of the issuer's agent, explicitly identifying the investor concerned.

1. General Meetings

Persons who were shareholders at the end of the record date have the right to attend and vote at the General Meeting themselves or may authorise other persons to vote for them as proxies or may dispose of their right to vote to other persons with whom an agreement on the disposal of the voting right has been concluded. The Record date of the public limited-liability company (further company) must be the fifth working day before the General Meeting.

The shareholder property rights are given to the Persons, who were shareholders of the company at the end of the tenth business day after the General Meeting, which adopted the relevant decision (at the end of the Record date).

The shareholders present at the General Meeting must be registered in the shareholder registration list. The shareholder registration list indicates the number of votes granted to each shareholder by the shares held by him.

A notice of the General Meeting must be published in the daily newspaper indicated in the Articles of Association (Statute) or delivered against acknowledgement of receipt sent by registered post to

At least 10 days before the General Meeting the shareholders must be granted access to the documents available to the company relating to the agenda of the Meeting, including draft decisions and the request filed with the Board by the initiators of the General Meeting.

The CSDL doesn't receive any information from the issuer about the forthcoming General Meeting. Such information is provided to the Vilnius Stock Exchange (VSE). An issuer must place a notice through the information system of the VSE about the decision to convene a General shareholders' meeting. The notice must contain at least the following information: name of the company, code, time and venue (address), the record date, agenda of the meeting, initiator of the meeting, the company's body, person or institution who passed a resolution to convene the meeting. In the same manner information about a repeat meeting and about changes and/or additions to the agenda shall be disclosed. The issuer must make public the draft resolutions to be adopted by the General Meeting being convened through the information system of the VSE not later than on the day they are disclosed to the issuer's shareholders. The issuer must make public the resolutions passed by the General Meeting through the information system of the VSE.

The CSDL only compiles the list of owners according to a particular request from the issuer. The issuer has the right to request at any time from the account manager to present a list of owners of its securities. This right shall be exercised by submitting an inquiry to the CSDL. To have such a request satisfied, an inquiry must be filed with the CSDL, which shall provide, depending on the choice of the issuer, either a list of account managers or a list of securities owners.

2. Full list of shareholders

The issuer has the right at any time to request from the account managers a list of owners of its securities. This right shall be exercised by submitting an inquiry to the CSDL.

On request of the CSDL the account managers holding the securities issued by the issuer concerned in their general accounts, must provide to CSDL the list of persons who were securities owners on the date specified by the CSDL.

The account manager furnishes the Depository with the list of securities owners, whose personal securities account holds the credit balance of the securities referred above. The list of securities owners must include:

1. name, address, Depository participant's code, type of activity and nature of account of account manager managing the securities account;
2. name and personal code of securities owner, or name, company code and address of company;
3. securities account number;
4. securities account opening date;
5. name and address of securities issuer;
6. ISIN code of securities allocated by the Depository;
7. securities par value;
8. number of securities held on the account;
9. restrictions on the transfer of rights attached to securities.

The account managers must provide information on securities owners by the date specified in the Depository's request; it may also be the date of request. The date of the list of securities owners is a business day set by the Depository, at the end of which the shareholders' list is to be generated.

The information shall be provided by account managers in a database format in accordance with the electronic database field structure set by the Depository.

3. Dividend payments

The property rights of the shareholders are the following:

- 1) to receive a part of the company's profit (dividend);
- 2) to receive a part of assets of the company if the capital of the company is being reduced in order to pay to the shareholders from the company's funds;
- 3) to receive shares without payment if the authorized capital is increased out of the company's funds;
- 4) to have the pre-emption right in acquiring shares or convertible debentures issued by the company, except in cases when the General Meeting decides to withdraw the pre-emption right for all the shareholders.

The above property rights are given to the Persons, who were shareholders of the company at the end of the tenth business day after the General Meeting, which had adopted the relevant decision (Record date for dividends and other property rights).

Issuers are free to distribute dividends themselves or entrust distribution to brokerage firms or banks (financial intermediaries), who have the right to redistribute payments or may choose CSDL as an entity, which redistributes dividends between brokerage companies or banks through the payment

system “LITAS-RLS” according to securities balances in general (omnibus) accounts and at a declared rate.

The General Meeting may not adopt the decision to declare and pay dividends if at least one of the following conditions is met:

- 1) the company is insolvent or would become insolvent after the payment of dividends;
- 2) the result of the financial year available for appropriation is negative (losses were incurred);
- 3) the equity capital of the company is lower or after the payment of dividends would become lower than the aggregate amount of the authorized capital, the legal reserve, the revaluation reserve and the reserve for own shares of the company.

Payment date must not be later than 1 month after the decision to pay dividends. Issuer must pay the allocated dividends within 1 month after the day of adoption of the decision on profit appropriation. Payment of dividends in advance is prohibited.

Issuer must pay the dividends in cash only.

4. Interest and principal amount payments

Payments of interest or principal amount of debt securities are made by the Issuers directly or are redistributed through financial intermediaries.

Government securities (GS) are redeemed and coupon payment is made to those investors, who held securities in personal accounts on the last business day before the redemption of securities or the coupon payment. If the securities redemption day set in advance falls on a non-working day, the securities will be redeemed on the first business day following the non-working day. On the day of GS redemption or coupon payment the Depository submits a notification to the Bank of Lithuania (BoL) regarding the outstanding balance of the securities of this issue on securities accounts. The Depository specifies the accounts of its participants to be credited.

After the Ministry of Finance has provided due funds for GS redemption or coupon payment, the BoL transfers those funds to the Depository’s participants following the abovementioned Depository’s notification.

The intermediaries repay the funds due to their clients on the securities redemption day or coupon payment day, unless their agreements with the clients provide otherwise.

Bonds issues and redemption by public limited liability companies

The resolution to issue debentures (bonds) may be adopted by the General Meeting of the company by a simple majority vote or by the Board if this is provided for in the Articles of Association.

The company must indicate in the resolution to issue debentures and in the debenture subscription agreement the nominal value of the debenture, the amount of interest rate, the fixed date of debenture redemption, from which date the debenture holder shall acquire the right to receive from the company a sum of money equal to the nominal value of the debenture and the annual interest. The debenture holder shall have equal rights with other holders of the same issue.

Before issuing debentures offered for public subscription, the company must conclude an agreement with a bank or brokerage firm (making a notice to the effect in the prospectus of the debentures). Under the agreement the bank or the brokerage firm should undertake to safeguard the interests of the holders of the debentures of a certain issue in relations with the company, while the company should undertake to pay remuneration to the bank or brokerage firm.

In the cases where the debentures issued by the company are secured by pledged assets or mortgage, the bank or the brokerage firm must be considered as the account manager of the securities. It shall exercise the rights of the security holder for the benefit of all debenture holders.

Third persons may offer directly to the debenture holder or through the Financial intermediary surety or guarantee for the discharge of obligations of the company arising because of the issue of debentures. In case of failure to discharge all or some of these obligations, the intermediary of public trading in securities must transfer the funds received from the third persons to the debenture holders.

5. Bonus issues

The authorized capital must be increased by the decision of the General Meeting.

Issuing new shares or increasing the nominal value of the issued shares increase the authorized capital.

A documentary proof of the decision to increase the authorized capital must be submitted to the manager of the Register of Legal Entities within 10 days after the adoption of the decision.

The shareholders of the company shall have the right of pre-emption to acquire the shares issued by the company in proportion to the nominal value of shares owned by them at the end of the tenth business day after the General Meeting, which adopted the decision to increase the authorized capital through additional contributions.

The authorized capital is considered to have been increased only after the amended Articles of Association (Statute) are registered in the Register of Legal Entities. The decision of the General Meeting to increase the authorized capital, except for the decision to issue convertible debentures, must be considered void in case of failure to submit the amended Articles of Association to the manager of the Register of Legal Entities within 6 months after the day of the General Meeting which adopted the decision to increase the authorized capital. If this deadline is not met, the contributions for the subscribed shares must be immediately returned without any deductions at the written request of the subscriber.

Record date for bonus issues, i.e: the right a) to receive shares without payment if the authorized capital is increased out of the company's funds; b) to have the pre-emption right in acquiring shares or convertible debentures issued by the company, except in cases when the General Meeting decides to withdraw the pre-emption right for all the shareholders, **is the end of the tenth business day after the General Meeting where the decision has been passed.**

The following documents must be submitted in order to have the securities issue registration account opened or adjusted at the CSDL.

Where the issuer increases its authorized capital by additional contributions:

1. Application for the registration of securities.
2. The original or an issuer-certified copy of the minutes of the General Meeting of shareholders, which has adopted a decision to increase the authorized (share) capital and make amendments to the Statute (Articles of Association) accordingly.
3. The original or an issuer-certified copy of the company's Statute (amendments thereto) with the increased capital that have been registered with the Register of Legal Persons.
4. Report on Securities Offering Results
5. The note regarding addition of the securities issues, where the newly issued securities issue provides to its shareholders the same property and non-property rights as the previously issued securities issue.

Where the issuer increases its authorized capital out of its own funds:

1. Application
2. The original or an issuer-certified copy of the minutes of the general meeting of shareholders, which has adopted a decision to increase the authorized (share) capital and make amendments to the Statute accordingly.
3. The original or an issuer-certified copy of the company's Statute (amendments thereto) with the increased capital that have been registered with the Register of Legal Persons.
4. Report on Securities Offering Results. It shall be submitted provided new shares are issued.
5. Statement of the securities indexation, where securities are held not only on an account of the issuer's agent.
6. The note regarding addition of the securities issues, where the newly issued securities issue provides to its shareholders the same property and non-property rights as the previously issued securities issue.

Where the issuer increases its authorized capital as a result of the reorganization:

1. Application.
2. The originals or issuer-certified copies of the minutes of the general meetings of shareholders of the companies under reorganization, which have adopted decisions regarding their reorganization.
3. The original or an issuer-certified copy of the reorganization conditions approved by the general meeting of shareholders of the companies under reorganization.
4. The original or an issuer-certified copy of the company's Statutes (amendments thereto) with the increased capital that have been registered with the Register of Legal Persons.
5. Report on Securities Offering Results.
6. Statement of the securities distribution in case of the reorganization of the company where securities are held not only on an account of the issuer's agent.
7. The note regarding addition of the securities issues, where the newly issued securities issue provides to its shareholders the same property and non-property rights as the previously issued securities issue.
8. An application of the company under reorganization that is wound up after the reorganization for the closure of the securities issue registration account. The application shall be submitted provided that the issue registration account has been opened with the CSDL to the company under reorganization.
9. A certified copy of the certificate on the de-registration of the company under reorganization from the Register of Legal Persons. The certificate shall be submitted provided that the issue registration account has been opened with the CSDL to the company under reorganization.

10. On request of the CSDL other required documents must be submitted.

Where the issuer issues securities, which do not certify the participation in the authorized capital:

1. Application
2. An issuer-certified copy of the minutes of the meeting of the issuer's body, which has adopted a decision to issue securities (unless it has been submitted earlier).
3. The original or an issuer-certified copy of the company's Statutes (amendments thereto) that have been registered with the Register of Legal Persons (unless it has been submitted earlier).
4. Report on Securities Offering Results.
5. The original or an issuer-certified copy of the securities issue program.

Securities issue registration accounts and general (omnibus) securities accounts are opened with the CSDL for every securities issue made by any of the issuers. Securities issue registration accounts and general securities accounts are opened for the purpose of the securities circulation control and they give no proof of ownership to the securities. The securities issue registration account of the CSDL records the total number of securities issued by a certain issuer. The general securities account is opened with the Depository on behalf of an account manager and records the total number of securities of one issue held by that account manager.

For the purpose of primary trading in securities (in cases when the traded securities issue will not be added immediately to the earlier registered securities issue) the CSDL allocates an ISIN code to the offered securities issue prior to the opening of the securities issue registration account.

Where the non-resident issuer issues securities, which do not certify the participation in the authorized capital, the following documents must be submitted:

1. Application.
2. A notarised copy of the minutes of the meeting of the issuer's body, which has adopted a decision to issue securities.
3. The original or a notarised copy of the Statute or other incorporation documents of the issuer (if available).
4. A notarised copy of the issuer's registration certificate.
5. Report on Securities Offering Results.
6. The original or a certified copy of an agreement with a financial intermediary.
7. The original or a notarised copy of the securities issue program (if available and unless it has been submitted earlier).

In case the head office of the legal person, issuing securities is registered on the territory other than Lithuanian, the submitted registration documents issued by a foreign country and all other documents related to the issue of the securities issue must be translated into the Lithuanian language.

6. Cancellation of shares and reduction of the authorized capital

The authorized capital may be reduced by the decision of the General Meeting or by the court decision. The authorized capital may only be reduced in the following ways:

- 1) by reducing the nominal value of shares;

2) by cancelling the shares.

After the registration of the amended Statute in the Register of Legal Entities, the Issuer must within one working day submit to the CSDL the documents required by the CSDL for changing the entries in the securities accounts. A document confirming the decision to reduce the authorized capital must be submitted to the manager of the Register of Legal Entities within 10 days after the adoption of the decision.

The authorized capital is considered to have been reduced only after the registration of the amended Articles of Association in the Register of Legal Entities.

In the case, when shares are cancelled to receive a part of assets of the company if the capital of the company is being reduced in order to pay to the shareholders from the company's funds, the Record date is the end of the tenth business day after the General Meeting, which adopted the relevant decision.

The cases where the issuer reduces the authorized capital.

The following documents must be submitted in order to have the securities issue registration account adjusted at the CSDL:

1. Reduction of the authorized capital by reducing the number of the shares:

1.1. Application.

1.2. An issuer-certified copy of the minutes of the meeting of the issuer's body, which has adopted a decision to reduce the authorized (share) capital, or of any other document specifying the procedure for the reduction of the authorized capital (if available).

1.3. Explanatory note regarding the reason and procedure for the reduction of the authorized capital approved by the issuer's bodies.

1.4. The original or an issuer-certified copy of the Statutes (amendments thereto) of the company with the reduced authorized capital that have been registered with the Register of Legal Persons.

1.5. Statement of the reduction of the authorized capital where the securities are held not only on accounts of the issuer's agent.

2. Reduction of the authorized capital where the issuer changes the nominal value of the previously issued securities:

2.1. Application.

2.2. Explanatory note regarding the reason and procedure for the change of the nominal value of the securities approved by the issuer's bodies.

2.3. The original or an issuer-certified copy of the company's Statute (amendments thereto) with the reduced authorized capital that have been registered with the Register of Legal Persons.

3. Where the issuer reduces its authorized capital as a result of the reorganization:

3.1. Application.

3.2. The original or an issuer-certified copy of the minutes of the General meeting of shareholders of the company under reorganization, which has adopted the decision regarding the reorganization of the company.

3.3. The original or an issuer-certified copy of the reorganization conditions approved by the general meeting of shareholders of the companies under reorganization.

3.4. The original or an issuer-certified copy of the company's Statute (amendments thereto) with the reduced authorized capital that have been registered with the Register of Legal Persons.

3.5. Statement of the reduction of the authorized capital where the securities are held not only on accounts of the issuer's agent.

3.6. On request of the CSDL other required documents must be submitted.

7. The change of the name of the securities or company.

1. In case the issuer takes a decision to change the name of the securities (conversion of the securities from one class of securities to the other one), the following documents must be submitted in order to have the securities issue registration account adjusted at the CSDL:

1.1. Application.

1.2. An issuer-certified copy of the minutes of the meeting of the issuer's body, which has adopted a decision to convert the securities of one class to the securities of the other class.

1.3. The original or the issuer-certified copy of the company's Statute (amendments thereto) that have been registered with the Register of Legal Persons.

2. Where the issuer changes the name, the following documents must be submitted:

2.1. An issuer-certified copy of the new registration certificate of the company;

2.2. The original or an issuer-certified copy of the new registered Statute of the company;

2.3. Official requisites.

8. Rights issues

The same requirements are applied to the registration of subscription rights as to all other securities registered with the Depository in general and securities issue registration accounts.

The Issuer, or the Financial Intermediary acting under a securities offering agreement with the Issuer or on his behalf (further subscription agent), when applying for the opening of accounts for subscription rights with the Depository, must furnish:

1. The documents, required for the registration of subscription rights issue (described in section Bonus Issues).

2. A copy of securities offering agreement with the Issuer (where the subscription agent is a Financial intermediary);

3. A copy of the Minutes of the Issuer's general shareholders' meeting, which took a decision to issue subscription rights, containing the following information:

3.1 the Record date of the owners of securities rights;

3.2 the number of subscription rights to be issued;

3.3 the maturity of subscription rights, indicating the number of days;

3.4 the subscription ratio;

4. Requisites of cash account, opened for the payment of the new securities issue to be subscribed (name of bank, code and account number).

Upon submission by the subscription agent of all the documents, the Depository no later than within 5 business days registers the subscription rights issue.

After the subscription agent together with the Depository have set the rights' Record date, the subscription agent must announce about the stock event in the media prior to that date.

The Depository opens the issue registration account for the subscription rights issue and proportionally using the subscription ratio allots the newly issued subscription rights in accordance with the balance of the underlying issue held by subscription rights owners on record day to account managers by opening current accounts for them. The same procedure is used for the allotment of subscription rights to other persons, whose nominee or personal accounts are managed by the Depository (foreign CSDs or other CSDL clients).

The Depository allocates ISIN codes to subscription rights issues from LT000090000X to LT000099999X.

The account for the securities of the new issue, which has been offered by means of subscription rights, is opened after the registration with the Register of Legal Persons of amendments to the Statute regarding the increase of the authorized capital and after the subscription agent submits to the Depository the subscription rights trading results, as well as after taking into account the results of subsequent stages of securities trading, i.e. without pre-emptive right.

The accounting of transactions of secondary trading in subscription rights shall be subject to the same requirements as trading in all other securities.

The owners of subscription rights, who were allotted such rights or acquired them during secondary trading with the intention to subscribe to the new issue of the Issuer's securities, must apply to his personal subscription rights account manager. All subscription rights are cancelled on their maturity date.

After the expiration of validity of the subscription rights and upon conclusion of the subsequent securities subscription stages without pre-emptive right, but not earlier than the new securities issue has been registered with the Register of Legal Persons, the subscription agent provides to the Depository the documents for the registration of the new issue.

9. Redemption of the share minority (Mandatory sale or purchase)

Having acquired the shares, which account for no less than 95% of the capital entitling to voting rights and to no less than 95% of total votes at the general meeting of shareholders of the Issuer, the shareholder has the right to request from all other shareholders of the Issuer to sell their holdings of shares entitling to voting rights and the latter are obliged to sell them.

If the shareholder is obliged to submit a mandatory tender offer (i.e. acquired 40 % of Issuer's shares), the shares can be sold and purchased in compliance with mandatory sale - purchase procedures only after the shareholder's obligation to submit and realise the mandatory tender offer has been fulfilled.

The share price is set according to the following principles:

1) If the shareholder, submitting the mandatory tender offer, has acquired the shares entitling to no less than 95% of total votes at the general meeting of shareholders of the Issuer, the share price is set to be the same as during the execution of the tender offer;

2) If the shareholder, submitting the voluntary tender offer to buy out all the residual shares entitling to voting rights, has acquired the shares entitling to no less than 95% of total votes at the general meeting of shareholders of the Issuer, the share price is set to be the same as during the voluntary tender offer, provided the holders of no less than 90% of the shares involved in the tender offer have sold the bidder their shares;

3) in other cases the share price is set in a way chosen by the person buying up the shares and it should ensure the fair price for the shares. The buy up price offered for the shares must be reasonable and coordinated in advance with the Securities Commission. The Securities Commission has the right to reasonably demand for the change of price.

The shareholder seeking to buy out all Issuer's shares must deliver to the Issuer a notice on the buyout of the shares. The notice must include the following:

- 1) the data on the bidder acting independently or in concert with other collectively acting persons (Name of natural person, place of residence; name of legal person, head-office);
- 2) the number of shares by classes and their entitling votes held by the bidder acting independently or in concert with other collectively acting persons;
- 3) the request of the bidder acting independently or in concert with other collectively acting persons to other shareholders to sell to him all their holdings of Issuer's shares of the relevant class;
- 4) the offered share price and the way of its determination;
- 5) the procedure and place of buyout of the shares.

The documents substantiating the fixing of the price are enclosed together with the notice to the Issuer.

Upon receipt of the bidder's notice not later than within 5 days the Issuer must notify by registered letter every shareholder, the Securities Commission and the operator of the regulated market about the buyout of the shares and make announcement thereof in the daily newspaper of the Republic of Lithuania specified in the Issuer's by-laws.

Within 90 days of the announcement in the daily newspaper of the Republic of Lithuania all the shareholders must sell their shares to the shareholder specified in the notice on the buyout or contest the offered share price mentioned in the notice.

In the event that the shareholder has failed to sell the shares within the established time period, it shall be deemed that on the last day of the established time period the bidder acquires the right no later than within 30 days to apply to court and provide the documents evidencing execution of the payment according to the procedure established by law to the deposit account of the shareholder, who has failed to sell his shares, and require to commit the account managers to making entries in securities accounts about the transfer of title to the shares to the bidder buying up the shares. The court decision on making entries in securities accounts is deemed to be legal grounds for the account managers to make the required entries.

In case on the last day of the established time period the bidder fails to pay the bidding price for the shares, it shall be deemed that the shareholder's right to buy out the shares in a mandatory manner has terminated and this person forfeits the right in the future to request selling of shares to him in conformity with the present procedure.

Each shareholder of the Issuer (with the exception of the Issuer included in the list of objects to be privatised and whose shares are not traded on the regulated market) is entitled to request from the shareholder, who acting individually or in concert with other collectively acting persons has acquired shares accounting for no less than 95% of the capital entitling to voting rights and no less than 95% of total votes at the general meeting of shareholders, to buy the holding of his shares entitling to voting rights and the latter is obliged to buy them. In such a case the offeror must notify the Issuer. The notice must specify:

- 1) the data on the offeror requesting to buy the shares (Name of natural person, place of residence; name of legal person, head-office);
- 2) the number of shares by classes and their incidental votes held by the offeror;
- 3) the request of the offeror to buy from him all his holdings of Issuer's shares of the relevant class;
- 4) the requested share price and the way of its determination;
- 5) the selling place of the shares.

In the event that the shareholder has failed to meet his obligation to buy in the mandatory way the shares within the established time period and contest the share price, he must pay 10% annual interest on the overdue amount.

10. Reorganisation (merger by acquisition, merger by the formation of a new company, division by acquisition, division by the formation of a new company).

The decision on the reorganisation shall be adopted by the General Meeting of every company being reorganised and the company involved in the reorganisation. Where the company has different classes of shares, the decision shall be adopted if approved by a separate vote by each class of shareholders (as well as the holders of non-voting shares).

The decision on the reorganisation may be adopted at least 30 days after the publication of the prepared terms of reorganisation in the daily indicated in the Articles of Association.

The decision on the reorganisation must approve the terms of reorganisation and amend the Articles of Association of the continuing companies or adopt the Articles of Association of the companies which shall be newly formed after the reorganisation.

A documentary proof of the decision of the General Meeting to reorganise the company must be within 5 days submitted to the manager of the Register of Legal Entities.

Terms (conditions) of Reorganisation

The Boards or managers of companies being reorganised and the companies involved in the reorganisation must draw up the terms of reorganisation of the companies indicating the following:

- 1) the information required under Article 2.44 of the Civil Code about every company being reorganised and involved in the reorganisation as well as the name, legal form and registered office of every new company formed after the reorganisation;
- 2) the mode of reorganisation (merger by acquisition, merger by the formation of a new company, division by acquisition, division by the formation of a new company);
- 3) the companies that are wound up after the reorganisation and the companies continuing after the reorganisation;

4) the exchange ratio of shares of companies wound up after the reorganisation for the shares of companies continuing after the reorganisation and the substantiation thereof, the number of shares of the companies continuing after the reorganisation according to their classes and their nominal value as well as the rules of share allocation to the shareholders;

5) the procedure and time limits of the issue of shares to the shareholders of the companies continuing the activities after the reorganisation;

6) the price difference, paid out in cash, of the shares held by the shareholders and the shares receivable in companies continuing after the reorganisation;

7) the moment from which the shareholders of the company being wound up after the reorganisation shall be entitled to participate in the profits of the company continuing after the reorganisation and all terms related to the granting of this right;

8) the moment from which the rights and obligations of the company being wound up after the reorganisation shall be assumed by the company continuing after the reorganisation;

9) the moment from which the contractual rights and obligations of the company being wound up after the reorganisation shall be assumed by the company continuing the activities after the reorganisation and the transactions shall be included into the accounting of this company;

10) the rights granted by the company continuing after the reorganisation to the holders of shares of different classes, debentures and other securities;

11) in case of division of the company, the exact description of the assets, rights and obligations of the company being divided and the allocation thereof to the companies continuing after the reorganisation;

12) special rights granted to the members of organs of the companies being reorganised and involved in the reorganisation and the experts who carry out the evaluation of the terms of reorganisation.

The terms of reorganisation must be evaluated by the firm of auditors entered into contract with by every company involved in the reorganisation and being reorganised.

The valuation report of the terms of reorganisation must be drawn up and submitted to the company at least 30 days before the General Meeting which has on its agenda the issue of adoption of the decision to reorganise the company.

In addition to the terms of reorganisation, the amended Articles of Association of companies continuing after the reorganisation or the Articles of Association of companies newly formed after the reorganisation must be drawn up. Proposals regarding the terms of reorganisation may be submitted by the Supervisory Board, the Board, the manager of the company and the shareholders holding the shares in the company the nominal value whereof is at least 1/3 of the authorised capital.

The terms of reorganisation must be submitted to the manager of the Register of Legal Entities not later than on the first day of publication of the drawing up thereof in the daily specified in the Articles of Association. The valuation report of the terms of reorganisation must be submitted to the manager of the Register of Legal Entities together with the terms of reorganisation.

From the day of publication of the drawing up of the terms of reorganisation, the company being wound up after the reorganisation shall acquire the status of the company being reorganised and the company continuing after the reorganisation shall acquire the status of the company involved in the reorganisation.

The Board of every public limited liability company being reorganised and involved in the reorganisation (the manager, if the Board is not formed) must draw up a detailed written report. The report must indicate the purposes of reorganisation, explain the terms of reorganisation, the

continuity of activities and indicate the time limits of reorganisation, legal and economic grounds of the terms of reorganisation, in particular the share exchange ratio and the rules determining the allocation of shares to the shareholders of companies continuing after the reorganisation. 4. The report must be submitted to the manager of the Register of Legal Entities at least 30 days before the General Meeting which has on its agenda the issue of adoption of the decision to reorganise the company. The information on the drawing up of the report on the valuation of the terms of reorganisation and the particulars of the manager of the Register of Legal Entities where the documentary files of the public limited liability companies being reorganised and involved in the reorganisation are stored shall be presented in the report.

Every company being reorganised and involved in the reorganisation must publish the terms of reorganisation three times with at least 30-day intervals between publications in the daily indicated in the Articles of Association or publish them once at least 30 days before the General Meeting on the reorganisation of the company in the daily indicated in the Articles of Association and notify all creditors of the company in writing.

Exchange of Shares in the Course of Reorganisation:

1. The shares of the companies being reorganised must be exchanged for the shares of the companies continuing after the reorganisation (newly formed in the course of reorganisation and continuing after the reorganisation).

2. The shares of the companies continuing after the reorganisation may be allocated to the shareholders of companies being wound up after the reorganisation in proportion to the authorised capital of the companies being reorganised or otherwise.

3. Where the shares in the companies continuing after the reorganisation are allocated to the shareholders of the company being divided otherwise than in proportion to their participation in the authorised capital of that company, the shareholders holding the shares the nominal value whereof is less than 1/10 of the authorised capital of the company being divided shall have the right to require, within 45 days after the adoption of the decision to reorganise the company by the General Meeting, their shares to be redeemed by the company being divided before the completion of the reorganisation. The price paid for the shares being redeemed shall be determined taking into account the average market price of the shares for the period of 6 months immediately preceding the decision to reorganise the company adopted by the General Meeting. Disputes concerning the amount of the consideration for shares shall be settled in court. If the nominal value of the shares required to be redeemed exceeds 1/10 of the authorised capital of the company being divided, the reorganisation of the company under the approved terms of reorganisation may not be continued.

4. Own shares acquired by the company being wound up after the reorganisation or the shares of the company being wound up after the reorganisation acquired by a person acting in his own name but for the benefit of the company and for the account thereof as well as the shares of the company being wound up after the reorganisation acquired by the company continuing after the reorganisation or a person acting in his own name but for the benefit of such company and for the account of the company shall not be exchanged for shares of the company continuing after the reorganisation.

5. Where the shares are exchanged for new shares in the companies continuing after the reorganisation, the difference in the share price may be paid in cash to the shareholders of the companies being wound up after the reorganisation. Cash payments may not exceed 10% of the

nominal value of new shares allocated to the shareholders in the companies continuing after the reorganisation.

The companies continuing after the reorganisation shall be the successors to all assets, rights and obligations of the reorganised companies after the registration of newly formed companies or the registration in the Register of Legal Entities of the amended Articles of Association of the companies continuing after the reorganisation, unless otherwise provided by the terms of reorganisation. The assets, rights and obligations shall be assigned to the companies according to the terms of reorganisation.

Completion of Reorganisation

The reorganisation shall be deemed completed when all new companies formed after the reorganisation are registered or the amended Articles of Association of all continuing companies are registered.

Before the documents of the company continuing after the reorganisation are submitted to the manager of the Register of Legal Entities, the General Meeting of this company shall be convened if the terms of reorganisation so provide. Both the shareholders of the company continuing after the reorganisation and the companies being wound up after the reorganisation shall be entitled to attend this General Meeting and vote if they were allocated the shares of the company continuing after the reorganisation under the terms of reorganisation.

A new company formed after the reorganisation shall be registered after the General Meeting of this company takes place and elects the organs of the company elected by the General Meeting under the Articles of Association, the election of the Board (if the Articles of Association provide for the election of the Board) and the manager of the company as well as after the statutory documents are submitted to the manager of the Register of Legal Entities.

The reorganised company shall be wound up after its removal from the Register of Legal Entities.

Members of the management organs of the reorganised company and the company involved in the reorganisation who drew up and implemented the terms of reorganisation as well as the experts who evaluated the terms of reorganisation under the agreement between the company and the firm of auditors must reimburse according to the procedure prescribed by laws the damage they inflicted on the shareholders of these companies.

The following documents must be submitted in order to have the securities issue registration account opened or adjusted at the CSDL where a new issuer is being established by reorganizing the companies:

1. Application;
2. The originals or issuer-certified copies of the minutes of the general meetings of shareholders of the companies under reorganization, which have adopted decisions regarding their reorganization;
3. The original or an issuer-certified copy of the reorganization conditions approved by the general meetings of shareholders of the companies under reorganization;
4. The original or an issuer-certified copy of the Statute of the company established as a result of the reorganization that has been registered with the Register of Legal Persons;
5. An issuer-certified copy of the registration certificate of the company;
6. Report on Securities Offering Results;

7. Statement of the securities distribution, where the securities are held not only on an account of the issuer's agent;

8. The original or a certified copy of an agreement with a Financial intermediary;

9. The original or an issuer-certified copy of the document certifying appointment of the CEO of the issuer;

10. An application of the company under reorganization that is wound up after the reorganization for the closure of the securities issue registration account. The application shall be submitted provided that the issue registration account has been opened with the Central Depository to the company under reorganization;

11. A certified copy of the certificate on the de-registration of the company under reorganization from the Register of Legal Persons. The certificate shall be submitted provided that the issue registration account has been opened with the Central Depository to the company under reorganization;

12. On request of the Central Depository other required documents must be submitted.

11. Stock consolidation or split

When a company reduces the quantity of shares without changing the share capital it makes its stock (issue) consolidation. When a company increases the quantity of shares without raising the share capital it makes its stock split.

The following documents must be submitted in order to have the securities issue registration account opened or adjusted at the CSDL in case the issuer takes a decision to consolidate or split the securities issue:

1. Without changing the size of the authorized capital to increase the nominal value of the shares by proportionally reducing the number of shares:

1.1. Application;

1.2. Explanatory note regarding the procedure for the change of the nominal value of the securities approved by the issuer's bodies;

1.3. The original or an issuer-certified copy of the company's Statute (amendments thereto) that have been registered with the Register of Legal Persons;

1.4. Statement of the securities distribution in case of issue splitting where the securities are held not only on accounts of the issuer's agent.

2. Without changing the size of the authorized capital to reduce the nominal value of the shares by proportionally increasing the number of shares:

2.1. Application;

2.2. Explanatory note regarding the procedure for the change of the nominal value of the securities approved by the issuer's bodies;

2.3. The original or an issuer-certified copy of the company's Statute (amendments thereto) that have been registered with the Register of Legal Persons;

2.4. Statement of the securities distribution in case of issue splitting. It shall be submitted on request of the CSDL.

12. Taxation of dividends and interest payments (general overview) ¹

NON- RESIDENT INDIVIDUALS

A withholding tax at the rate of 20% is charged on dividends to non- resident individuals.

Non-taxable income shall include the following:

- interest on securities (except for securities issued by a person connected with an individual by employment relations or relations in their essence corresponding to employment relations where the interest paid by the person connected with the individual concerned by employment relations or relations in their essence corresponding to employment relations is higher than the interest paid by the same person to other holders of such securities) if the redemption of the securities in question commences not earlier than 366 days after the date of their issue;

- interest on securities issued by the governments of the EEA Member States and political or territorial administrative units of the EEA Member States

- income from the sale or other transfer into ownership of securities acquired after 1 January 1999 if the securities are sold or otherwise transferred into ownership not earlier than 366 days after the date of their acquisition (in the event that a part of securities of the same type and class issued by the same entity are sold, it is deemed in every single case that the securities acquired first are first to be sold or otherwise transferred into ownership) and the individual did not hold more than 10% of the shares (interests, member shares) of the entity whose securities are sold or otherwise transferred into ownership for 3 years preceding the end of the tax period in which those securities were sold or otherwise transferred into ownership. The said relief shall not apply where the shareholder sells the shares to or otherwise transfers them into the ownership of the entity that has issued the shares in question, and also where securities are deemed to be sold under Article 11 of the Law on Personal Income Tax (Income received from liquidation of the entity).

- income from the sale or other transfer into ownership of securities acquired before 1 January 1999. The said relief shall not apply where securities are deemed to be sold under Article 11 of the Law on Personal Income Tax;

The CSDL does not provide a relief at source or refund services on taxation of dividends or interest payments: this service for non-resident clients is usually provided by local financial intermediaries, specializing in custody services.

NON- RESIDENT LEGAL PERSONS

The dividends received by foreign entities from their owned shares, part of capital or possession of other rights of a Lithuanian entity are taxed by applying the profit tax rate of 20%. The tax is calculated, withheld and paid to the budget by the Lithuanian entity - payer (issuer) of the dividends not later than by the tenth day of the month following the month the dividends were paid.

Valid from January 1, 2009:

The dividends, paid to a foreign entity by a Lithuanian entity, in which the foreign entity receiving the dividends has been holding for the period of at least 12 months without any break, including the moment the dividends are being allocated, at least 10 percent of the voting shares, are tax-exempt.

¹ Only general information is provided and exemptions may apply. For detailed information see Law on Corporate Income Tax, Law on Personal Income Tax and other legal acts.

WITHHOLDING CONCESSIONS ² TO ESTONIAN AND LATVIAN RESIDENTS ACCORDING TO TAX TREATIES

(NON - RESIDENT INDIVIDUAL AND/OR LEGAL PERSONS)

Withholding tax applicable to cross-border dividends paid to Latvian/Estonian resident individual or legal persons are subject to the tax treaties concluded between Lithuania and Latvia/ Estonia.

Withholding (Estonian residents)

Dividend payments exemptions shall include the following

1) If at the moment when the dividends are announced or paid, an Estonian resident legal person is the beneficial owner of at least 20% of the share capital of the company, such dividends are subject to a 5 % withholding tax.

Interest payments exemptions shall include the following (Estonian residents)

Interest paid to an Estonian resident individual or legal person is subject to a 10% withholding tax.

Withholding (Latvian residents)

Non-taxable income dividend payments shall include the following:

- 1) If at the moment when the dividends are announced or paid, a Latvian resident legal person is the beneficial owner of at least 25% of the share capital of the company.
- 2) The Latvian resident legal person is incorporated as a company, not in the form of a partnership.

Interest payments exemptions shall include the following (Latvian residents)

Interest paid to a Latvian resident individual or a legal person is non-taxable.

TAX RECLAIM AND RELIEF

(NON - RESIDENT INDIVIDUAL AND/OR LEGAL PERSONS)

Latvian/ Estonian resident individuals or legal persons receiving dividends from the Lithuanian issuer will be eligible for double taxation relief or reclaim from Lithuanian withholding tax on the grounds of the Lithuanian-Latvian/ Lithuanian- Estonian tax treaties.

The Issuer shall transfer the full amount of dividend or interest payment to the account of LCD/ECSD³ applying the general rate of withholding tax (20%) by default.

After the tax amount is transferred to the Lithuanian Tax Inspectorate, the investor can refund the overpaid income tax from the Lithuanian Tax Inspectorate. It has to be done applying directly. More information can be obtained from www.vmi.lt.

² The above-mentioned general exemptions are applicable

³ Latvian/Estonian resident individuals' or legal persons' holdings in Lithuanian securities via LCD/ECSD accounts with CSDL



The CSDL does not provide a relief at source or reclaim services on taxation of dividends or interest payments: this service for non-resident clients is usually provided by local financial intermediaries, specializing in custody services.