

# **ARTICLES OF ASSOCIATION OF STOCK COMPANY KLAIPĖDOS NAFTA**

## **I. GENERAL PROVISIONS**

### **Article 1. Company**

1.1. Stock Company KLAIPĖDOS NAFTA (hereinafter referred to as the Company) is a company with an economic, financial, organizational and legal independence, which in its activities follows these Articles of Association, the Civil Code, laws and other legal acts.

1.2. The legal form of the Company – Stock Company. The Company is a private legal person with public limited liability. Subject to its obligations it is responsible only to the extent of the assets of the Company owned by proprietary right.

1.3. Calendar year is considered to be the financial year of the Company which begins on the 1<sup>st</sup> of January and ends on the 31<sup>st</sup> of December of every year.

1.4. The Company has been established with perpetual duration.

1.5. The Company's name is Stock Company KLAIPĖDOS NAFTA.

1.6. The Company has its own stamp.

### **Article 2. The aims of the Company and Object of its activities**

2.1. The principal aims of the Company are to ensure a profitable and effective functioning of the Oil Terminal, operated by the Company, oil and oil products transportation pipelines as well as other equipment, to use rationally assets of the Company, to render services to its clients and to perform other activities aiming at safeguarding interests of the Company and its shareholders. Furthermore, the objective of the Company shall be to install and equip a liquefied natural gas terminal and to prepare it for operation, to ensure cost-effective and rational operation of the liquefied natural gas terminal and/or its subsequent transfer to the operator of the natural gas transmission system controlled by the Republic of Lithuania.

2.2. The Company's management bodies should seek achievement of the objectives of the Company observing the laws, other legal acts, these Articles of Association as well as the internal documents of the Company.

2.3. The Company directly and /or indirectly performs the following economic activities:

- transshipment and storage of crude oil and oil products;
- natural gas supply activities including operation of liquefied natural gas terminal;
- natural gas market or related activities;
- construction;
- sales;
- other economic activities essential for the fulfillment of the Company's goals.

## **II. THE AUTHORIZED CAPITAL, SHARES AND RIGHTS OF SHAREHOLDERS**

### **Article 3. Authorized capital**

3.1. The authorized capital of the Company amounts to LTL 342 000 000 (three hundred forty two million). It is divided into 342 000 000 (three hundred forty two million) ordinary registered shares. The nominal value of one share is equal to LTL 1 (one).

### **Article 4. Shares of the Company**

4.1. All the shares issued by the Company are ordinary registered shares.

4.2. The shares of the Company are non-material shares. They are fixed by entries into personal securities accounts of the shareholders. The number of shares owned by a person and other relevant information as required by law shall be entered into the securities account.

### **Article 5. The rights granted by shares. Procedures for submission of documents and other information to the shareholders**

5.1. An ordinary registered share shall grant the following property rights to its owner (shareholder):

- 1) to receive a part of the Company's profit (dividend);
- 2) to receive funds of the Company in the event the Authorized Capital of the Company is being reduced in order to pay funds of the Company to the shareholders;
- 3) to receive a part of the assets of the Company in liquidation;
- 4) to receive shares free of charge if the Authorized Capital is increased out of the funds of the Company (except in the cases specified by the imperative norms of the valid laws);
- 5) to have the preferential right in acquiring shares or convertible debentures issued by the Company except in the case when following the requirements of the applicable laws a resolution is being adopted to withdraw the preferential right in acquiring the Company's newly issued shares or convertible debentures for all the shareholders;
- 6) to lend to the Company in the manner prescribed by law, however, when borrowing from its shareholders the Company has no right to pledge its assets to the shareholders. When the Company borrows from its shareholder, the interest may not be higher than the average interest rate offered by commercial banks of the locality where the Lender has his place of residence or business, which was in effect on the day of conclusion the Loan Agreement. In such a case the Company and its shareholders shall be prohibited from negotiating a higher interest rate;
- 7) other property rights established by the laws.

5.2. An ordinary registered share of the Company shall grant the following non-property rights to its owner (shareholder):

- 1) to attend the General Shareholders' Meetings and to vote according to voting rights carried by their shares (unless otherwise provided for by the laws);
- 2) to receive information on the Company in accordance with the procedure provided for in these Articles of Association and to the extent allowed by the imperative norms of the valid laws;
- 3) to file a claim with the court for reparation of damage resulting from nonfeasance or malfeasance by the Manager of the Company and Board members of their

obligations prescribed by the laws and the Articles of Association of the Company as well as in other cases laid down by laws.

4) to submit requests to the Company prior to the General Shareholders' meeting regarding issues on its agenda;

5) other non-property rights established by the laws and these Articles of Association.

5.3. The right to vote at General Shareholders' Meetings may be withdrawn or restricted in cases established by laws, also in case share ownership is contested;

5.4. The right to vote at General Shareholders' Meetings shall be granted only by fully paid shares. One ordinary registered share of the nominal value of 1 litas shall give its holder one vote. In case of equal circumstances all the owners of the same class of shares shall have equal rights and duties.

5.5. At the shareholder's written request the Company shall not later than within 7 (seven) days from the receipt of such request grant him access to information and/or submit to him copies of the following documents: Articles of Association of the Company, Annual financial statements, Annual reports of the Company, Auditor's opinion and Audit reports, Minutes of the General Shareholders' Meetings or other documents whereby the decisions of the General Shareholders' Meetings, the Supervisory Board's (hereinafter referred to as Supervisory Board) recommendations and responses to the General Shareholders' Meetings have been executed, the Register of shareholders, the Lists of Supervisory Board and Board members, also other documents of the Company which must be publicly accessible under law as well as Minutes of the Supervisory Board and Board meetings or other documents, whereby the decisions of the above-mentioned Company bodies have been executed, unless the said documents contain a commercial (industrial) secret, confidential information. A shareholder or a group of shareholders who hold or control more than 1/2 of the shares shall have the right of access to all the Company documents upon giving the Company a written pledge not to disclose the commercial (industrial) secret, confidential information. Persons who have disclosed commercial secrets or confidential information shall be held responsible according to the procedure established by the laws. The Board shall determine which information is to be considered a commercial secret and confidential information of the Company (except information which shall be public according to the laws). At the shareholder's request the Company must execute in writing its refusal to submit the documents. Disputes relating to the shareholder's right to information shall be settled in court.

5.6. A shareholder shall have the right to authorize other person to vote at the General Shareholders' Meeting on his behalf or to execute other legal actions.

5.7. Several shareholders can conclude voting agreement or shareholders' agreement by which they can agree on joint voting at the General Shareholders' Meeting and (or) on authorization of another person to vote in the name of the shareholders who had concluded the voting agreement, and (or) realization of other shareholders' rights. The shareholder, who concluded such an agreement regarding voting or transfer of other non-property rights, must promptly notify the Company by presenting a copy of such agreement and information about it to the Director General. Such agreements shall come into force from the moment of notification of the Company in the manner and to the extent established by the imperative norms of the valid laws. Director General shall inform the next General Shareholders' Meeting about receipt of such an agreement.

5.8. The documents of the Company, their copies or other information shall be furnished to the shareholders free of charge.

5.9. The list of shareholders presented to the shareholders shall give the following data of every shareholder and if the share belongs to several owners – the data of every owner and their representative - (full name of natural person, place of residence or address for correspondence; name of legal person, legal form, office), the number of ordinary registered shares owned by the shareholder, according to the data available to the Company.

### **III. MANAGEMENT BODIES OF THE COMPANY**

#### **Article 6. Management Bodies of the Company**

6.1. The Company has the following management bodies:

- 1) the General Shareholders' Meeting;
- 2) the Supervisory Board;
- 3) the Board;
- 4) General Manager of the Company.

6.2. The management bodies of the Company shall act only for the benefit of the Company and its shareholders, comply with laws and other legal acts and be governed by the Articles of Association of the Company. Every candidate for the office of General Manager, to the position of the Board or Supervisory Board member shall inform the electing body where and what position he holds, how his other activities are associated with the Company and with other legal persons related to the Company.

6.3. Transparent remuneration and/or other stimulation policy (policies), complying with good management practice, of the members of the Company's management bodies and officers in managerial positions shall be approved by the Company if the members of the Company's management bodies get remuneration or stimulation policy is being applied. Remuneration policy (policies) shall be disclosed in the Company's annual reports.

6.4. Persons can not become the members of the Company's management bodies (excluding the General Shareholders' meeting) who are directly or indirectly linked with the entities the performance of which is competitive with that of the Company notwithstanding whether such activity of the Company is indicated separately in these Articles of Association or not. This limitation may not apply in the case when the Company's body, electing members of a respective body of the Company, separately resolves that in a specific case a person who is directly or indirectly linked with the entities the performance of which is competitive with that of the Company can be elected a member of the bodies of the Company.

### **IV. GENERAL SHAREHOLDERS' MEETING**

#### **Article 7. Competence of the General Shareholders' Meeting**

7.1. The General Shareholders' Meeting shall have an exclusive right to:

- 1) amend and supplement the Articles of Association of the Company (except as otherwise provided by the laws);
- 2) select and remove the firm of auditors to perform audit of Annual financial statements and set conditions for auditor remuneration;

- 3) elect members of the Supervisory Board and to remove the Supervisory Board or its members;
- 4) approve the annual financial statements and consolidated annual financial statements (if it is required to prepare by laws);
- 5) take a decision to increase the Authorized Capital;
- 6) determine the class, number and set the nominal value and the minimum issue price of the new shares;
- 7) take a decision to withdraw the preferential right for all the shareholders in acquiring the shares or convertible debentures of a specific issue of the Company;
- 8) take a decision to reduce the Authorized Capital (except as otherwise provided by laws);
- 9) take a decision to issue convertible debentures;
- 10) take a decision for the Company to purchase its own shares;
- 11) take a decision to liquidate the Company, cancel the liquidation of the Company (except as otherwise provided by laws);
- 12) elect and remove the liquidator of the Company (except as otherwise provided by laws);
- 13) take a decision on reorganisation or division of the Company, approve the terms of reorganisation or division;
- 14) take a decision on profit/loss appropriation;
- 15) take a decision on formation, use, reduction and liquidation of reserves;
- 16) take a decision to transform the Company;
- 17) take a decision to restructure the Company;
- 18) determine time period for a shareholder to acquire shares or convertible debentures by using his preferential right;
- 19) change Company's office;
- 20) take a decision to convert the Company's shares of one class into shares of another class, approve the share conversion procedure;
- 21) take a decision regarding other matters assigned by the valid laws or these Articles of Association to the competence of the General Shareholders' Meeting if they are not attributed by law to the competence of the other bodies of the Company and provided by their essence these are not the functions of the management bodies.

7.2. The General Shareholders' Meeting is not entitled to authorize other bodies of the Company to take decisions on the matters which are attributed to the sole competence of the General Shareholders' Meeting.

## **Article 8. Convening General Shareholders' Meeting**

8.1. The right of initiative to convene the General Shareholders' Meeting shall be vested in the Supervisory Board, the Board and the shareholders who have at least 1/10 of all the votes. The General Shareholders' Meeting shall be convened on the decision of the Board or, in the cases specified in the Law on Stock Companies, of General Manager of the Company.

8.2. The initiators of the General Shareholders' Meeting shall submit a request to the Board (or, in cases specified in the Law on Stock Companies – to General Manager) where they must state the reasons for convening the General Meeting and its purposes, submit proposals regarding the agenda, date and venue of the Meeting, drafts of the proposed decisions. The General Shareholders' Meeting shall be held not later than within thirty days after the date of receipt of the request. It shall not be mandatory to convene the General Shareholders' Meeting if the request does not comply with all the requirements set forth in this paragraph and the required

documents have not been submitted or the issues proposed for the agenda are not within the scope of powers the General Shareholders' Meeting.

8.3. The Board of the Company, General Manager, the persons or authority which adopted the decision to convene the General Shareholders' Meeting shall present to the Company information and documents required for drawing up a notice of the General Shareholders' Meeting. A notice of the General Shareholders' Meeting must be announced publicly not later than 21 days before the Meeting's date in the Republic of Lithuania and in all the other member states of the European Union as well as in the states belonging to the European economic area according to the procedure established by the Law on Securities.

8.4. If the repeat General Shareholders' Meeting is convened, the shareholders must be notified in the manner specified in the Articles of Association not later than 14 days before the day of this General Shareholders' Meeting.

8.5. At least 21 days before the General Shareholders' Meeting the shareholders shall be granted access to the documents available to the Company relating to the agenda of the Meeting, including draft decisions and the request filed to the Board or to General Manager of the Company by the persons who initiated the convening of the General Shareholders' Meeting.

## **Article 9. Participation at the General Shareholders' Meeting**

9.1. Persons who were shareholders of the Company at the end of the recorded day shall have the right to attend and vote at the General Shareholders' Meeting themselves, unless otherwise provided for by laws, or may authorise other persons to vote for them as proxies or may transfer their right to vote to other persons with whom an agreement on the transfer of voting rights has been concluded. The record day of the General Shareholders' Meeting shall be the fifth working day before the General Shareholders' Meeting or the fifth working day before the repeat General Shareholders' Meeting.

9.2. Shareholders may vote in writing by filling in the ballot papers. The filled-in general ballot paper can be send to the Company by means of electronic communication provided that confidentiality of the information is guaranteed and it is possible to identify the shareholder.

9.3. Members of the Supervisory Board, the Board, General Manager, the inspector of the General Shareholders' Meeting, the auditor who prepared the auditor's opinion and audit report, also persons invited by General Manager to submit information on the issues on the agenda may attend and speak at the General Shareholders' Meeting, if the shareholders of the Company have no objections.

## **Article 10. Decision-making of the General Shareholders' Meeting**

10.1. A General Shareholders' Meeting may take decisions and shall be held valid if attended by shareholders who hold shares carrying more than ½ of all votes. After the presence of a quorum has been established it shall remain continuously throughout the Meeting. If a quorum is not present, the General Shareholders' Meeting shall be considered invalid and a repeat General Shareholders' Meeting must be convened, which shall be authorised to take decisions only on the issues on the agenda of the meeting that has not been held and to which the

quorum requirements shall not apply. A decision of the General Shareholders' Meeting shall be considered taken if more votes of the shareholders have been cast for it than against it, unless laws or the Articles of Association of the Company prescribe a larger majority.

10.2. If consent of the holders of a certain class of shares is necessary for taking a decision, the decision regarding the consent shall be taken by a meeting of the holders of the relevant class of shares. The meeting may take decisions and shall be held valid if attended by shareholders who own over  $\frac{1}{2}$  of all shares of that class. The provisions established for the General Shareholders' Meeting regarding convening of the Meeting, representation by proxy, establishment of the quorum, decision taking and drawing up of the minutes shall be applicable to convening the meeting (repeat meeting including).

10.3. The General Shareholders' Meeting shall not be entitled to take decisions on the issues that are not on the agenda except when the meeting is attended by all shareholders who own shares conferring voting rights and no shareholder voted in writing.

## **V. THE SUPERVISORY BOARD**

### **Article 11. Formation of the Supervisory Board and term of office.**

11.1. The Supervisory Board consists of three members including its Chairman. If applicable, during election of the Supervisory Board it shall be aimed at that not less than  $\frac{1}{3}$  of the members of the Supervisory Board shall be independent.

11.2. The Supervisory Board shall be elected by the General Shareholders' Meeting. During the election of the Supervisory Board members, each shareholder shall have the number of votes equal to the number of votes carried by the shares he owns multiplied by the number of the members of the Supervisory Board being elected. The shareholder shall distribute the votes at his discretion, giving them for one or several candidates. The candidates who receive the greatest number of votes shall be elected. If the number of candidates who received an equal number of votes is greater than the number of vacancies on the Supervisory Board, a repeat voting shall be held in which each shareholder may vote only for one of the candidates who received an equal number of votes.

11.3. The Supervisory Board shall be elected for the period of 4 years. The Supervisory Board shall continue in office for the period laid down in the Article of Association or until a new Supervisory Board is elected but not longer than the date of the Annual General Shareholders' Meeting to be held during the final year of its term of office. The number of the terms of office a member may serve on the Supervisory Board shall not be limited. As soon as the members of the Supervisory Board commence their activities they shall sign Confidentiality Agreements with the Company subject to the provisions established by the General Shareholders' Meeting.

11.4. General Manager of the Company, a member of the Board of the Company and a person, who under the legal acts is not entitled to serve in this office, shall not serve on the Supervisory Board.

11.5. While nominating candidates to become members of the Supervisory Board, the shareholder (his representative) of the Company shall submit explanations in writing to the General Shareholders' Meeting regarding qualification, experience in the managing positions

taken as well as suitability of every proposed candidate to become a member of the Supervisory Board.

11.6. Every candidate to become a member of the Supervisory Board shall submit a written consent to candidate for the said position and declaration of candidate's interests to the General Shareholders' Meeting, disclosing all the circumstances in respect of which potential conflicts of interest between the candidate and the Company may arise. A member of the Supervisory Board shall promptly inform the Supervisory Board in writing of any new subsequent circumstances which may cause a potential conflict of interest between the member of the Supervisory Board and the Company.

11.7. The General Shareholders' Meeting may remove from office the entire Supervisory Board or its individual members before the expiry of the term of office of the Supervisory Board.

11.8. If a member of the Supervisory Board is removed from office, resigns or stops performing his duties for any other reason and the shareholders who hold at least 1/10 of all votes in the Company object to the election of individual members of the Supervisory Board, the Supervisory Board shall lose its powers and the entire Supervisory Board shall be subject to election. Where individual members of the Supervisory Board are elected, the term of office for which they are elected shall be only until the expiry of the term of office of the current Supervisory Board.

11.9. If one or more members of the Board or the entire Board is removed from office or resigns, a meeting of the Supervisory Board shall be convened in accordance with the established regulations of the Supervisory Board and new members of the Board or the entire Board shall be elected.

11.10. By the resolution of the General Shareholders' Meeting agreements can be concluded with members of the Supervisory Board regarding their activities in this Board and a stimulation policy may be established according to the results of the Company's activities and perspectives. The General Shareholders' Meeting can also resolve as to remuneration of independent members of the Supervisory Board that cannot be associated with the results of the Company's activities and perspectives.

## **Article 12. Status and powers of the Supervisory Board**

12.1. The Supervisory Board is a collegial body supervising the activities of the Company.

12.2. The Supervisory Board shall:

12.2.1. elect the members of the Board and remove them from office. If the Company is operating at a loss, the Supervisory Board must consider the suitability of the Board members for their office;

12.2.2. supervise the activities of the Board and General Manager of the Company;

12.2.3. submit its comments and proposals to the General Shareholders' Meeting on the performance strategy, annual financial statements, draft of profit appropriation and the Annual Report of the Company as well as the activities of the Board and General Manager of the Company;

12.2.4. submit its proposals to the Board and General Manager of the Company to revoke their decisions which are not in conformity with the laws and other legal acts, Articles of Association of the Company or the decisions of the General Shareholders' Meeting;



12.2.5. take decisions regarding setting the terms of employment contracts with the members of the Board and the Chairman of the Board referred to in item 16.2 of Article 16 of these Articles of Association;

12.2.6. guarantee an effective internal control system in the Company;

12.2.7. address other issues assigned within its powers regarding the supervision of the activities of the Company and its managing bodies.

12.3. The Supervisory Board shall not be entitled to assign or delegate its functions prescribed to its competence to other bodies of the Company.

12.4. The Supervisory Board shall be entitled to ask the Board and General Manager to submit the documents and information related to the activities of the Company. The Company's documents and information are submitted to the members of the Supervisory Board free of charge. The procedure of Company's documents and information to the members of the Supervisory Board is specified in the rules of procedure of the Supervisory Board.

### **Article 13. Adoption of decisions and procedure of work**

13.1. The Supervisory Board shall elect the Chairman of the Supervisory Board from among its members. The Chairman manages the Supervisory Board and organizes its activities.

13.2. The Chairman of the Supervisory Board convenes its meetings. The meetings of the Supervisory Board may also be convened by the decision taken by at least 1/3 of the Supervisory Board members.

13.3. The meetings of the Supervisory Board shall be convened at least once per quarter.

13.4. Members of the Supervisory Board shall have equal rights. During voting each member shall have one vote. In the event of a tie, the Chairman of the Supervisory Board shall have the casting vote.

13.5. A member of the Supervisory Board may express his will regarding the decision, provided that he has familiarized himself with the draft decision, by voting "for" or "against" it in writing or by means of electronic communication provided that confidentiality of the information is guaranteed and it is possible to identify the voting person.

13.6. The Supervisory Board shall be entitled to take decisions and its meeting shall be considered to have been held if attended by more than a half of the members of the Supervisory Board. The members of the Supervisory Board who voted in advance shall also be considered to have attended the meeting. The decision of the Supervisory Board shall be taken if the number of votes cast for it is greater than the number of votes cast against, unless the Articles of Association of the Company require a larger majority. The decision to remove a member of the Board from office may be taken if at least 2/3 of the Supervisory Board members present at the meeting vote for it.

13.7. In case of a conflict of interests between a member of the Supervisory Board and the Company during discussion of issues at the Supervisory Board, such a member of the Supervisory Board shall immediately notify the Supervisory Board and not participate in voting regarding specific items in view of which such conflict arose.

13.8. Minutes shall be kept of the meetings of the Supervisory Board.

13.9. The procedure of work of the Supervisory Board shall be laid down in the rules of procedure of the Supervisory Board adopted by it.

13.10. The members of the Supervisory Board must keep confidential the commercial (industrial) secrets and confidential information which they learned serving on the Supervisory Board. A member of the Supervisory Board may resign from office before the expiry of his term of office by giving a written notice thereof to the Company at least 14 days in advance.

#### **Article 14. Committees**

14.1. In order to increase work efficiency the Supervisory Board may decide to establish committees entrusting them with a task to discuss and submit proposals to the Supervisory Board regarding issues attributed to the competence of respective committees.

14.2. Audit committee shall be established in the Company. Remuneration, nomination and other committees may also be formed in the Company.

14.3. The committees are established by the decision of the Supervisory Board. Rules of formation and performance of relevant committees approved by the Supervisory Board set forth working procedures, rights and duties of the members of the committees as well as measures for ensuring performance of the members of the committees.

14.4. The Supervisory Board may decide on conclusion of agreements with the members of the committees regarding their activities in the relevant committee. The Supervisory Board by its decision may also establish remuneration to the independent members of the committees. In the case of remuneration to the independent members of the committees the Supervisory Board shall approve transparent remuneration payment rules complying with good management practice that inter alia can ensure independence of the members of the relevant committees.

### **VI. The Board**

#### **Article 15. Formation of the Board and term of office**

15.1. The Board consists of 5 (five) members, including the Chairman of the Board.

15.2. The Supervisory Board of the Company elects the members of the Board.

15.3. The members of the Board shall be elected for the period of 4 (four) years. A member of the Board can be removed or elected for another term of office. The Board shall commence in office after the completion of the meeting of the Supervisory Board which elected the Board unless otherwise provided for by the imperative norms of the valid laws. As soon as the members of the Board start their work they shall sign confidentiality agreements with the Company according to the provisions set by the Supervisory Board.

15.4. Only a legally capable natural person may be elected to serve on the Board. A person who is a member of the Supervisory Board of the Company, who under the legal acts may not serve in this office shall not be elected or serve as members of the Board.

15.5. While nominating candidates to become members of the Board, the nominating person shall submit explanations in writing to the Supervisory Board regarding qualification, experience in the managing positions taken as well as suitability of every proposed candidate to become a member of the Board.

15.6. Every candidate to become a member of the Board shall submit a written consent to candidate for the said position and declaration of candidate's interests to the Supervisory Board, disclosing all the circumstances in respect of which potential conflicts of interest between the candidate and the Company may arise. A member of the Board shall promptly inform the Board and the Supervisory Board in writing of any new subsequent circumstances which may cause a potential conflict of interest between the member of the Board and the Company

15.7. The Supervisory Board may remove from office the entire Board or its individual members before the expiry of their term of office. A member of the Board may resign from office prior to the expiry of his term of office by giving a written notice thereof to the Company at least 14 days in advance. On resignation of a member of the Board the Supervisory Board may elect a new member only to serve until expiry of the term of office of the current Board.

15.8. The Board shall continue in office for the period laid down in the Articles of Association or until a new Board is elected and assumes the office but for not longer than the Annual General Shareholders' Meeting during the final year of its term of office.

15.9. Members of the Board may perform other work or take other positions which can be compatible with their activities in the Board (including but not limited to managerial positions with other legal persons, work in state or statutory service, position in the Company, Parent Company and other legal persons, the participant of which is the Company or Parent Company) only by giving an advance notice to the Board and on obtaining an advance consent from the Supervisory Board.

## **Article 16. Status and powers of the Board**

16.1. The Board is a collegial management body of the Company managed by its Chairman.

16.2. The Board shall report to the Supervisory Board and the General Shareholders' Meeting.

16.3. All the members of the Board shall have equal rights and duties, except as otherwise provided by the laws and other legal acts.

16.4. The powers of the Board shall neither be transferred nor delegated.

16.5. The Board shall consider and approve:

- 1) the performance strategy of the Company;
- 2) the Annual Report of the Company;

- 3) the structure of management and positions in the Company;
- 4) the positions to which employees are recruited by holding competitions;
- 5) regulations of branches and representative offices of the Company;
- 6) prices and tariffs of the services presented by General Manager of the Company.

16.6. The Board shall elect and remove from office General Manager of the Company, fix his salary and set other terms of the employment contract, approve his job description, provide incentives for him and impose penalties.

16.7. The Board shall determine which information shall be considered to be the Company's commercial (industrial) secret and confidential information. Any information which must be publicly available under the laws may not be considered to be the commercial (industrial) secret and confidential information.

16.8. The Board shall adopt:

- 1) decisions for the Company to become an incorporator or a member of other legal entities as well as decisions to transfer or restraint the shares (parts, shares of stock) owned by the Company or the rights granted by them to other persons;

- 2) decisions to open branches and representative offices of the Company and terminate their activities. The Board appoints and recalls Managers of the branches and representative offices of the Company;

- 3) decisions to invest, transfer or lease the tangible long-term assets the book value whereof exceeds 1/20 of the authorized capital of the Company (calculated individually for every type of transaction);

- 4) decisions to pledge or mortgage the tangible long-term assets the book value whereof exceeds 1/20 of the authorized capital of the Company (calculated for the total amount of transactions);

- 5) decisions to offer surety or guarantee for the discharge of obligations of third parties the amount whereof exceeds 1/20 of the authorized capital of the Company;

- 6) decisions to acquire the tangible long-term assets the price whereof exceeds 1/20 of the authorized capital of the Company;

- 7) decisions to restructure the Company in the cases laid down in the Law on Restructuring of Enterprises;

- 8) other decisions within the powers of the Board.

16.9. The Board must receive the approval of the General Meeting before adopting the decisions referred to in sub-items 3, 4, 5 and 6 of item 16.8. The approval given by the General Meeting shall not relieve the Board of its responsibility for the decisions adopted.

16.10. Before adopting a decision to invest funds or other assets into another legal entity, the Board must notify thereof the creditors with which the Company failed to settle within the prescribed time limit, if the aggregate debt to these creditors exceeds 1/20 of the authorized capital of the Company.

16.11. The Board shall analyse and evaluate the documents submitted by General Manager of the Company on:

- 1) the implementation of the Company's performance strategy;
- 2) the organisation of the Company's activities;
- 3) the financial status of the Company;
- 4) the results of business activities, income and expenditure estimates, the stocktaking data and other accounting data of changes in the assets.

16.12. The Board shall analyse and assess the Company's draft annual statements and draft of profit/loss appropriation and shall submit them together with the Annual Report to the General Shareholders' Meeting.

16.13. The Board shall be responsible for convening and organising General Shareholders' Meetings in due time.

16.14. If requested the Board must submit the documents related to the activities of the Company.

### **Article 17. Adoption of decisions and procedure of work**

17.1. The Board shall elect its Chairman from among its members, who organises its activities.

17.2. Prior to commencement in office contracts can be signed with members of the Board and Chairman of the Board with regard to their activities on the Board according to the terms set by the Supervisory Board. If a member of the Board or the Chairman of the Board is elected General Manager or appointed Manager of the Company's branch, an employment contract related to such position shall be concluded with him.

17.3. In its activities the Board shall follow laws, other legal acts, the Articles of Association, decisions of the General Shareholders' Meetings and the rules of procedure of the Board.

17.4. The Board adopts its decisions during its meetings. The meetings shall usually be held in Company's office. If necessary meetings of the Board can be organised outside the Company's office.

17.5. Every member of the Board shall have the right of initiative to convene a Board meeting.

17.6. Meetings of the Board shall be arranged at least once per quarter.

17.7. During voting each member shall have one vote. In the event of a tie, the Chairman of the Board shall have the casting vote.

17.8. A member of the Board may express his will regarding the decision, provided that he has familiarized himself with the draft decision, by voting “for” or “against” it in writing or by means of electronic communication provided that confidentiality of the information is guaranteed and it is possible to identify the voting person.

17.9. The Board may adopt decisions and its meeting shall be deemed to have taken place when the meeting is attended by 2/3 or more of the members of the Board. The members of the Board who voted in advance shall also be deemed to be present at the meeting. The decision of the Board shall be adopted if more votes for it are received than the votes against it, if the Articles of Association of the Company do not state the greater majority.

17.10. In case of a conflict of interests between a member of the Board and the Company during discussion of issues at the Board, such a member of the Board shall immediately notify the Board and not participate in voting regarding specific items in view of which such conflict arose. A member of the Board shall not be entitled to vote when the meeting of the Board discusses the issue related to his work on the Board or the issue of his responsibility.

17.11. Unless General Manager of the Company is a member of the Board, the Board shall invite him to every meeting and give him access to information on the issues on the agenda.

17.12. Minutes shall be taken of the meetings of the Board.

17.13. The procedure of work of the Board shall be laid down in the rules of procedure of the Board adopted by the Board.

17.14. The members of the Board shall not to divulge any commercial (industrial) secrets of the Company which they learned serving on the Board.

## **VII. MANAGER OF THE COMPANY**

### **Article 18. Appointment of the Manager of the Company**

18.1. The Manager of the Company – General Manager shall be elected and removed from office by the Board which shall also fix his salary, approve his job description, provide incentives and impose penalties. General Manager of the Company shall commence in his office after the election, unless otherwise provided for in the contract concluded with him. A person authorised by the body of the Company which elected General Manager of the Company or removed him from office must within 5 days notify the administrator of the Register of Legal Persons of the election or removal from office of General Manager of the Company as well as the expiry of his contract for other reasons.

18.2. General Manager of the Company must be a natural person. A person may not be General Manager of the Company if under the legal acts he is not entitled to hold the position.

18.3. The employment contract shall be concluded with General Manager of the Company. The contract with General Manager of the Company shall be signed on behalf of the Company by the Chairman of the Board or by another member authorised by the Board. The

contract on full material liability may be concluded with General Manager of the Company. If the body which elected General Manager of the Company adopts the decision to remove him from office, his employment contract shall be terminated. Labour disputes between General Manager of the Company and the Company shall be settled by court. A person authorised by the body of the Company which elected General Manager of the Company or removed him from office must within 5 days notify the administrator of the Register of Legal Persons of the election or removal from office of General Manager of the Company as well as the expiry of his contract for other reasons.

### **Article 19. Status and powers of General Manager of the Company**

19.1. The Manager of the Company - General Manager is a single-person management body of the Company. General Manager is the main person managing and representing the Company.

19.2. In his activities General Manager of the Company shall comply with laws and other legal acts, the Articles of Association of the Company, resolutions of the General Shareholders' Meeting, decisions of the Supervisory Board and the Board, and his job description.

19.3. General Manager of the Company shall organise daily activities of the Company, take decisions regarding activities of the Company, act on behalf of the Company and control Company's activities. General Manager shall hire and dismiss employees, conclude and terminate employment contracts with them, provide incentives and impose penalties.

19.4. General Manager of the Company shall act on behalf of the Company and shall be entitled to enter into the transactions at his own discretion, excluding the following transactions for which a decision of the Board to enter into them is necessary:

- 1) regarding investment, transfer or lease of the tangible long-term assets the book value whereof exceeds 1/20 of the authorized capital of the Company (calculated individually for every type of transaction);
- 2) regarding pledge or mortgage of the tangible long-term assets the book value whereof exceeds 1/20 of the authorized capital of the Company (calculated for the total amount of transactions);
- 3) regarding offer of surety or guarantee for the discharge of obligations of third parties the amount whereof exceeds 1/20 of the authorized capital of the Company;
- 4) regarding acquisition of the tangible long-term assets the price whereof exceeds 1/20 of the authorized capital of the Company.

19.5. General Manager of the Company shall be responsible for:

- 1) organisation of activities and implementation of objectives of the Company;
- 2) drawing up of Annual Financial Statements and Annual Report of the Company;
- 3) conclusion of the contract with the firm of auditors where the audit is mandatory under the laws;

4) submission of information and documents to the General Shareholders' Meeting, the Supervisory Board and the Board, in cases provided for by the Law on Companies or subject to their request;

5) submission of documents and particulars of the Company to the administrator of the Register of Legal Persons;

6) submission of the documents of a public limited liability Company to the Securities Commission and the Central Securities Depository of Lithuania;

7) submission of information to shareholders;

8) fulfilment of other duties laid down in legal acts as well as in the job description of General Manager of the Company.

19.6. Where one person acquires all shares in the Company or the holder of all shares in the Company transfers all or a part of shares to other persons, General Manager of the Company must notify the administrator of the Register of Legal Persons thereof within 5 days after the day of receipt of the notice.

19.7. General Manager of the Company must ensure that the auditor receives all the documents necessary to carry out the audit specified in the contract with the firm of auditors.

19.8. Financial Statements of the Company and Annual Consolidated Financial Statements of the Company shall be prepared in accordance with International Financial Reporting Standards.

## **Article 20. Adoption of decisions and procedure of work**

20.1. The work procedure of General Manager of the Company shall be set by his job description.

20.2. General Manager of the Company must keep confidential the commercial (industrial) secrets and confidential information of the Company which he learned serving in this office.

20.3. In case of a conflict of interests between General Manager of the Company and the Company during decision making or acting on behalf of the Company, General Manager of the Company shall immediately notify the Board and abstain from any actions in view of which such conflict arose.

20.4. General Manager of the Company may resign from office by giving a written notice thereof to the Board at least 14 days in advance.

## **VIII. NOTICES**

### **Article 21. Procedure of notification**

21.1. Public information of the Company shall be disclosed as follows:

- 1) The Company shall disclose information on material events publicly in the Republic of Lithuania and in all the other member states of the European



Union as well as in the states belonging to the European economic area according to the procedure established by the Law on Securities;

- 2) in case the information shall be disclosed in the press it should be published in the daily VERSLO ŽINIOS;
- 3) in case every shareholder (or other person who shall receive a corresponding information) must be notified individually, the notices shall be sent by registered mail or against acknowledgement of receipt thereof or in some other way allowed by the valid laws or otherwise;
- 4) in other cases the information shall be disclosed by means chosen by the Company in accordance with the procedure established by the requirements of the valid laws.

21.2. The Company may announce notices also by other means.

## **IX. FINAL PROVISIONS**

### **Article 22. The governing law**

22.1. The matters not considered in these Articles of Association shall be regulated by the Laws of the Republic of Lithuania.

22.2. In case of discrepancy between these Articles of Association and the imperative norms of laws the imperative norms of the laws shall prevail.

### **Article 23. Amendment of the Articles of Association**

23.1. The Articles of Association of the Company shall be amended following the procedure established by the Law of the Republic of Lithuania on Companies by the decision of the General Shareholders' Meeting if voted by shareholders who hold shares carrying more than 1/2 of all votes.

23.2. Following the decision by the General Shareholders' Meeting to amend the Articles of Association of the Company, the full text of the amended Articles of Association shall be drawn up and signed by the person authorised by the General Shareholders' Meeting.

This version of the Articles of Association has been approved by the General Shareholders' Meeting of SC Klaipėdos Nafta held on [\_\_\_\_\_]2012.

The Articles of Association were signed on [\_\_\_\_\_]2012.

Authorised person of the General Shareholders' Meeting:

Rokas Masiulis