

Approved by  
JSC "Liepājas Metalurģs"  
shareholders meeting  
on October 30, 2013

## **Joint Stock Company „LIEPĀJAS METALURĢS”**

registration No. 40003014197  
legal address Brīvības iela 93, Liepāja, LV-3401, Latvija  
(hereinafter – the „Company”)

### **Regulations for the Increase of Equity Capital**

(hereinafter – the "Regulations")

#### **1. THE PURPOSES OF INCREASING EQUITY CAPITAL**

There are following purposes of increasing equity capital:

- (i) To ensure unsecured creditors of the Company a right, stipulated in the Section 39 of the Insolvency Law to replace with the shares with the par value of LVL 16'981'033 (sixteen million nine hundred eighty-one thousand thirty-three lats) of the Company such principal claims of unsecured creditors against the Company, which are cancelled in accordance with Legal Protection Proceedings (hereinafter – “LPP”) Plan approved by the decision of Liepājas Court on September 10, 2013;
- (ii) To attract for the Company new investments in the amount of LVL 37'000'000 (thirty-seven millions lats), in order to provide the Company with working capital, as required by the LPP Plan of the Company;
- (iii) To provide a reserve of newly issued shares in order to ensure priority right of existing shareholders, which corresponds to the difference between total amount of issued shares and amount of shares, which is required to realize purposes mentioned in clauses (i) and (ii) above.

#### **2. THE EXISTING EQUITY CAPITAL, CATEGORIES, TYPES OF SHARES, THEIR NUMBER AND PAR VALUE**

- 2.1. The existing equity capital of the Company on the moment of approval of the Regulations is LVL 16'981'033 (sixteen millions nine hundred eighty one thousand thirty-three lats).
- 2.2. The equity capital of the Company consists of 16'981'033 (sixteen millions nine hundred eighty one thousand thirty-three) dematerialised bearer shares, par value of each share is LVL 1 (one lats). All shares are the same type and the same category shares without any preference and have unlimited voting rights.
- 2.3. The existing equity capital of the Company is paid-up in full.

### **3. INCREASE OF THE EQUITY CAPITAL AND NEWLY ISSUED SHARES**

- 3.1. The equity capital of the Company has been increased by issuance 100'000'000 (one hundred millions) one category dematerialised bearer shares, par value of each share is LVL 1 (one lats).
- 3.2. The equity capital of the Company has been increased by LVL 100'000'000 (one hundred millions lats). The amount of the equity capital after increase will be LVL 116'981'033 (one hundred sixteen millions nine hundred eighty-one thousand thirty-three lats).
- 3.3. Newly issued shares are the same category shares with the equal scope of rights, which is specified for the existing shares of the Company according to the Articles of Association of the Company as well as to the Commercial Law. Newly issued shares and existing shares of the Company will grant an equal right to shareholders regarding dividends, reception of liquidation quota and voting rights at the meeting of shareholders.
- 3.4. Beneficiaries of newly issued shares have the right to participate in dividends starting from the date, when the shares are paid-up.
- 3.5. On the date of approval of the present Regulations on November 13, 2013 JSC „Latvijas Centrālais depozitārijs” prepares a list of all of the Company shareholders (hereinafter – the „**Accounting Date**”), who are entitled to execute the priority right to purchase newly issued shares. In order to determine priority right of the shareholders, the list of shareholders on the Reference Date will be used only.
- 3.6. In case the increase of the equity capital specified in the Clause 3.2 of the Regulations is not subscribed within the terms specified in the Clause 6.2 of the Regulations, then issuance of the shares will be deemed to be occurred in the amount of subscribed shares.

### **4. THE PAR VALUE OF THE NEWLY ISSUED SHARES AND THEIR SALES PRICE**

- 4.1. The par value of one newly issued share is LVL 1 (one lats).
- 4.2. The sales price of one newly issued share corresponds to its par value – LVL 1 (one lats), except the case, stipulated by the Clause 4.3 below.
- 4.3. The sales price of one share of 16'981'033 (sixteen millions nine hundred eighty-one thousand thirty-three) of newly issued shares, which are intended for replacement of cancelled claims of unsecured creditors according to LPP Plan, consists of par value of the share LVL 1 (one lats) and mark up of the issue, as defined in the Paragraph three of Section 39 of the Insolvency Law, and is 60 (sixty santims) for each share, therefore sales price of each such share is LVL 1,60 (one lats sixty santims).

### **5. SUBSCRIPTION TO THE NEW SHARES**

- 5.1. Arrangement of subscription to the newly issued shares is fully transferred to \_\_\_\_\_ (hereinafter – the „**Arranger**”).

- 5.2. The subscription to the newly issued shares, respecting priority right of existing shareholders, takes place in four stages of subscription as defined in the present Regulations:
- 5.2.1. **In the first stage** the existing shareholders of the Company, which are determined on the Reference Date, according to the priority rights stipulated by Section 251 of Commercial Law, are entitled to subscribe all newly issued shares in proportion to the total of the par value of the shares already owned by them.
  - 5.2.2. **In the second stage** the existing shareholders of the Company, which are exercised their priority rights and subscribed newly issued shares of the Company in the first stage, are entitled to subscribe shares of the Company, which are not subscribed by other shareholders of the Company in proportion to the division of shares between such subscribing shareholders on the Reference Date.
  - 5.2.3. **In the third stage 16'981'033 (sixteen millions nine hundred eighty-one thousand thirty-three) new shares** shall be offered to unsecured creditors mentioned in the LLP Plan of the Company in order to replace their principal claims, which are cancelled in accordance with LLP Plan. The amount of offered shares is defined pursuant to Section 39 of the Insolvency Law, which states, that if value of cancelled claims of unsecured creditors according to LPP Plan exceeds existing equity capital of the Company, then increase of equity capital for replacement unsecured creditors claims with the shares is defined in the amount of existing equity capital, considering the difference between the increase of equity capital and the total amount of the cancelled principal claim as the surcharge of a share. In accordance with LPP Plan the value of cancelled principal claims of unsecured creditors is LVL 27'227'708, and it exceeds existing equity capital. Therefore unsecured creditors are entitled to subscribe new shares, which par value corresponds to the existing equity capital LVL 16'981'033, namely 16'981'033 shares. Unsecured creditors are entitled to subscribe named shares in proportion to the amount of cancelled claim of corresponding creditor. Unsecured creditors, which are subscribed shares entitled to them, have not a right to subscribe shares, which are not subscribed by other unsecured creditors.
  - 5.2.4. **In the fourth stage 37'000'000 (thirty-seven million) new shares** shall be offered to the third persons (investors) invited by the Arranger. Such shares are offered for purchase as a single block of shares only and they may be subscribed by one person (investor) only. If such shares are subscribed by several persons (investors), then all these shares acquires person (investor), who subscribes the first, and funds paid by all other persons (investors) which are subscribed these shares, will be repaid to them.
- 5.3. Subscription in the first and second stages takes place in accordance with an application procedure prescribed by broker company and bank, which maintains financial instrument accounts of existing shareholders regarding transfer of subscription instructions.
- 5.4. For subscription in the third stage an application form shall be used, which is attached to the present Regulations as **Annex**. Unsecured creditors submits this application form to the Arranger within subscription term.
- 5.5. Subscription procedure in the fourth stage regarding the third persons (investors) invited by the Arranger is reflected in details in the offer to these persons (investors) formulated by the Arranger.

**6. TERM OF SUBSCRIPTION STAGES AND ANNOUNCEMENT OF SUBSCRIPTION RESULTS**

- 6.1. Subscription to newly issued shares commences on the date, when the newspaper "Latvijas Vēstnesis" publishes announcement on commencement of subscription and exercise of shareholders priority right (hereinafter – „**Date of Subscription Commencement**”).
- 6.2. Newly issued shares subscription may not be commenced before permit for public offer issued by Financial and Capital Market Commission is obtained.
- 6.3. There are following terms for subscription stages:
  - 6.3.1. The term of the first stage is 1 (one) month from the Date of Subscription Commencement.
  - 6.3.2. The Arranger not later than on the next day after completion of the first stage submits to the newspaper "Latvijas Vēstnesis" and to AS “NASDAQ OMX Riga” an announcement for publishing, reflecting therein, how many shares are subscribed in the first stage and how many shares are available to subscription in the second stage.
  - 6.3.3. Subscription in the second stage commences on the next working day after the day when newspaper “Latvijas Vēstnesis” and AS “NASDAQ OMX Riga” publish announcement mentioned in the previous clause. The term of subscription in the second stage is 1 (one) working day.
  - 6.3.4. The Arranger not later than on the next day after completion of the second stage submits to the newspaper "Latvijas Vēstnesis" and to AS “NASDAQ OMX Riga” an announcement for publishing, reflecting therein, how many shares are subscribed in the second stage and how many shares are available to subscription in the third stage, considering however that its amount shall not exceed 16`981`033.
  - 6.3.5. Subscription in the third stage commences on the next working day after the day when newspaper “Latvijas Vēstnesis” and AS “NASDAQ OMX Riga” publish announcement mentioned in the previous clause. The term of subscription in the third stage is 1 (one) working day.
  - 6.3.6. The Arranger not later than on the next day after completion of the third stage submits to the newspaper "Latvijas Vēstnesis" and to AS “NASDAQ OMX Riga” an announcement for publishing, reflecting therein, how many shares are subscribed in the third stage and how many shares are available to subscription in the fourth stage, considering however that its amount shall not exceed 37`000`000.
  - 6.3.7. Subscription in the fourth stage commences on the next working day after the day when newspaper “Latvijas Vēstnesis” and AS “NASDAQ OMX Riga” publishes announcement mentioned in the previous clause. The term of subscription in the fourth stage is 1 (one) working day.
- 6.4. The Arranger is entitled to prolong subscription terms announcing them in the order, prescribed by the Clause 6.1 of the present Regulations.

**7. PAYMENT FOR NEWLY ISSUED SHARES**

- 7.1. Newly issued shares to be paid up in Latvian lats, after 01.01.2014 to be paid in euro. Payment term is subscription date.
- 7.2. Newly issued shares to be paid up as follows:
- 7.2.1. Existing shareholders of the Company, exercising priority right to purchase shares of the Company in the first and second subscription stages, as well as the third person (investor) in the fourth subscription stage pay up the shares in cash only;
- 7.2.2. Unsecured creditors under Section 39 of Insolvency Law pay up shares by a property contribution which value in accordance with Paragraph five of Section 39 of Insolvency Law is adequate for the amount of cancelled principal claim of corresponding creditor.
- 7.3. Payment for newly issued shares shall be made as follows:
- 7.3.1. Existing shareholders of the Company, exercising priority right to purchase shares of the Company in the first and second subscription stages, as well as the third person (investor) in the fourth subscription stage, subscribing the newly issued shares simultaneously shall block total amount required for subscription on the account of bank or broker company, where the account of financial instrument (security) of corresponding shareholders is opened. Payment for the new shares shall be made through the payment system "Delivery versus Payment" (DVP) of JSC „Latvijas Centrālais deponitārijs". Shares are deemed to be paid up, when JSC „Latvijas Centrālais deponitārijs" irrevocably blocks on the account of participant purchase amount for settlement for shares in order to complete DVP transaction. Funds transferred to the Company as a result of payment for shares shall be credited to the escrow account and thereafter paid to the Company in accordance with Clause 7.4 of the present Regulations.
- 7.3.2. Unsecured creditors pay for subscribed shares in full (property contribution) by signing application form attached to the present Regulations as Annex. Form signed by unsecured creditor simultaneously shall be considered as document, which confirms transfer of property contribution to the Company.
- 7.4. Considering, that the main purpose of increase of equity capital is to attract to the Company a new investor, which obtain a decisive influence in the Company and as a result, the right to elect a majority of the Council of the Company and by a majority of the Council election to gain control over the executive body (Board) of the Company, then it is necessary to ensure that funds, received on the account of the Company as a result of payment for shares, are not available to the Company during the period from transferring funds until election of new members of the Board. Therefore, for the payment in cash for subscribed shares a specific target escrow account (previously and hereinafter - the "**Escrow Account**") shall be opened pursuant to the following rules of escrow account:
- 7.4.1. The Escrow Account shall be opened in \_\_\_\_\_ (hereinafter – the „**Deposit Bank**”) on the name of the Company;
- 7.4.2. The Escrow Account is considered to be the account of the Company and all funds transferred thereto are considered to be funds of the Company;

- 7.4.3. Maximal amount transferred to the Escrow Account is LVL 37'000'000 (thirty-seven millions lats);
- 7.4.4. Any action by the Company with the funds transferred to the Escrow Account requires consents of the Arranger and Administrator of LLP Proceedings of the Company;
- 7.4.5. The Arranger and the Administrator of LLP of the Company are obliged to provide their consent for the disposal of the Escrow Account funds only in case, if all of the following conditions are occurred:
  - 7.4.5.1. Increase of equity capital of the Company is completed and increase of equity capital of the Company is registered in the Commercial Register of the Republic of Latvia;
  - 7.4.5.2. After completion of the increase of equity capital there was a shareholders meeting with participation of new shareholders, that has re-elected the Council of the Company, and new Council members are registered with the Commercial Register of the Republic of Latvia, and there was a meeting of the new Council, where is elected the new Board of the Company, and the new Board members are registered in the Commercial Register of the Republic of Latvia.
- 7.5. When within the prescribed term all newly issued shares are not subscribed and paid up, the shares issue is considered to be completed in the amount of shares subscribed. The Board of the Company shall convene an extraordinary shareholders meeting, which shall amend the Articles of Association of the Company. Partial share issue does not constitute an equity capital reduction.

## **8. INFORMATION RECEIPT PROCEDURES**

- 8.1. The Arranger shall notify participants of JSC "Latvijas Centrālais depozitārijs" on the submission of subscription application (instruction) procedures as well as on the procedures of exchange of information.
- 8.2. All public notifications on issue and subscribing to shares pursuant to these Regulations will be published in NASDAQ OMX Riga Information Distribution System.
- 8.3. Further information on these Regulations may be obtained each working day from 9:00 to 17:00 at the Arranger, address .....

## **9. AUTHORIZATION OF THE ARRANGER**

- 9.1. Hereby the Arranger in the name of the Company is authorized to take all actions, which are necessary to realize increase of equity capital and to provide subscription to shares mentioned in the Regulations, including but not limited to:
  - 9.1.1. To prepare, to sign and to submit to the Financial and Capital Market Commission prospectus regarding the issue and other documents, represent the Company in the Financial and Capital Market Commission.

- 9.1.2. To compile and to publish documents, which specify or supplement prescribed by the Regulations, provided they do not violate the Regulations.
  - 9.1.3. To submit and to publish information concerning increase of equity capital mentioned in the Regulations.
  - 9.1.4. To collect information from participants of JSC " Latvijas Centrālais depozitārijs" regarding blocking of funds and payment for the shares subscribed pursuant to Clause 7.3.1 of the Regulations.
  - 9.1.5. To send and to collect the documents by which unsecured creditors of the Company subscribe the shares pursuant to Clause 7.3.2 of the Regulations.
  - 9.1.6. To collect information from the Deposit Bank regarding balance of the Escrow Account.
  - 9.1.7. To submit to the Commercial Register a notification on the amount of subscribed and paid-up equity capital.
- 9.2. The Arranger is entitled to transfer authorization granted to him to any person in order to perform any action mentioned in the Clause 9.1 of the Regulations.