



Translation from Latvian

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on 19 August 1999, on 15 August 2000
December 20, 2004

**STOCK COMPANY
LATVIJAS GĀZE**

Articles of Association

Riga, 2004

SECTION I COMPANY'S FIRM

1.1. The firm of the company is the joint stock company "Latvijas Gāze" (hereinafter referred to as "Company"), which is a capital company of the Republic of Latvia, formed in the process of privatization of the state joint stock company "Latvijas Gāze" (being transformed into a state joint stock company from a state firm based on the Cabinet of Ministers of the Republic of Latvia Decree No. 175r as of December 30, 1993) in accordance with the law "On Privatization of the State and Municipal Property" and the law "On Reorganization of State and Municipal Enterprises into Corporations".

The joint stock company "Latvijas Gāze" is the legal successor of the state joint stock company "Latvijas Gāze".

1.2. The shareholders of the Company are individuals and legal entities, which have acquired shares of the Company (the "Shareholders").

SECTION II LEGAL STATUS, RIGHTS AND OBLIGATIONS OF THE COMPANY

2.1 The Company is incorporated and shall operate in accordance with the legal enactments effective in the Republic of Latvia (hereinafter referred to as "the Law"), the present Articles of Association, the resolutions of the Meeting of Shareholders (hereinafter referred to as "the Meeting of Shareholders") and the Supervisory Council (hereinafter referred to as "the Council").

2.2 The Company is a legal entity and has its own individual balance sheet.

2.3. The Company has a corporate seal and trade mark(s), bank account(s) and such other legal requisites as may be required.

2.4. The Company has unlimited competence and ability to act, including, but not limited to, the right to act on its own behalf and on behalf of the third parties, if duly authorized, to enter into agreements and transactions with any legal entity and individuals, to acquire and dispose the property and to obtain rights, incur liabilities, to act as a claimant or defendant before the courts of law, arbitration boards and state authorities.

2.5. The Company may undertake any export and import activities necessary for its business.

2.6. The Company has the right to establish enterprises, open representative offices and branches in Latvia and abroad, take part in joint ventures and strategic alliances with other companies, to incorporate foreign companies or obtain participation in Latvian or foreign companies, as well as buy and sell securities of other companies. The Company shall be liable with all of its property for the obligations of its branches and representative offices, which are not independent legal entities.

2.7. The Company may possess, use, manage and dispose of its assets in accordance with its objectives, laws of the Republic of Latvia and laws of the site of the assets and other legal enactments.

2.8. The Company is liable for its own obligations with all of its property.

2.9. The Company shall not be liable for the obligations of its shareholders and obligations of the State; the shareholders and the State shall not be liable for the obligations of the Company, unless otherwise provided in the Law.

2.10. The official languages of the Company are Latvian, English and Russian. The working language of the Company is Latvian; the books and other documents of the Company shall be kept in Latvian.

SECTION III TYPES OF COMMERCIAL ACTIVITIES

3.1. The objective of the Company is to ensure adequate supply of natural gas and liquefied gas to consumers and to promote the development and modernization of the Latvian natural gas and service industries.

3.2. The main types of activities of the Company according to the General Classification of Economic Activities (NACE) are as follows:

- (1) production of gas and distribution of gas along gas mains (40.20), including acquire, transportation of all types, distribution and sale of natural gas;
- (2) other retail sale in specialized shops (52.48), other retail sale outside shops (52.63), including supply of liquefied gas, retail sale, transportation of all types, import, export, transit and distribution of gas;
- (3) retail sale of car petrol (50.5), including gas retail sale of natural gas and liquefied gas as car petrol;
- (4) wholesaling of solid, liquefied and gaseous petrol and similar products (51.51), including wholesale of natural gas and liquefied gas and wholesaling of natural gas and liquefied gas as car petrol;
- (5) pipe transmission transportation (60.30), including transportation of natural gas along gas mains, import of natural gas, export and transit of natural gas;
- (6) storage and warehouse management (62.12), including storage of natural and liquefied gas;
- (7) services and advice in the area of architecture and projecting (74.20), including projecting, construction supervision and management of all external and internal systems of gas mains and systems of gas transmission and distribution;
- (8) general construction of buildings and engineering-technical works (45.21), including construction and assembly works on all external and internal systems of gas mains and systems of gas transportation;
- (9) plumbing and technical works (45.33), including transportation, processing, storage, distribution of natural and liquefied gas, installation, regulation and operation of equipment and control mechanisms for quantity and quality of natural gas;

(10) other works for assembly of engineering systems (45.34);

(11) production, distribution and sales of electricity (40.1);

(12) other activities in the area of human health protection (85.14);

(13) transportation by trucks (60.24), including commercial conveyances by truck and international commercial conveyances by truck;

(14) other road passenger transportation (60.23), including passenger commercial conveyances.

3.3. The Company may undertake other activities necessary for fulfillment of the main objectives of the Company.

3.4. The Company may manufacture, develop, acquire and dispose, import and export any products and supply any services, master, develop and use any kind of technology and know-how which is relevant for the operation and activities of the Company, sell such products and services in Latvia and abroad, as well as perform any other commercial activity, performance of which is not prohibited by the Law.

3.5. Activities conducting of which are subject to a special permission (license) shall be commenced only after receipt of such license(s) pursuant to the procedure specified in the Law.

SECTION IV THE CAPITAL OF THE COMPANY

4.1. The share capital of the Company is LVL 39,900,000 (thirty nine million nine hundred thousand lats). The share capital of the Company is formed by 39,900,000 (thirty nine million nine hundred thousand) shares. The nominal value per one share is LVL 1.00 (one lat).

4.2. All 39,900,000 (thirty nine million nine hundred thousand) shares of the Company give their shareholders equal rights, specific rights to receive dividends and liquidation quotas, as well as voting rights at the Meeting of Shareholders.

4.3. 14,571,480 (fourteen million five hundred and seventy-one thousand four hundred and eighty) shares of the Company are common shares. 25,328,520 (twenty-five million three hundred and twenty-eight thousand five hundred and twenty) shares of the Company are public shares which are traded on the stock exchange.

4.4. All shares of the Company are dematerialized shares.

4.5. Money and securities, property and intellectual property invested by the shareholders form the property of the Company.

SECTION V SECURITIES OF THE COMPANY

5.1. The Company may issue shares and convertible debentures.

5.2. The Meeting of Shareholders determines the volume, timing, conditions and other issues related to issue of Company's shares in a closed and public share issue and approves the rules and prospectus of such issue. The issue and distribution of the shares is carried out by the Board of Directors in accordance with the procedures set forth by the Meeting of Shareholders.

In respect of the securities of the Company being on public sale, the Board of Directors has to comply with the duties and obligations of an issuer prescribed in the Law *On the Financial Instruments Market*, except for the duties and obligations, which are in the competence of the Meeting of Shareholders or the Council.

5.3. Information on the owners of common shares, as well as transfers of common shares shall be recorded in the shareholders' register of the Company. The holders of common shares shall obtain the rights of a shareholder only upon registration with the shareholders' register.

The rights arising from the bearer's shares belong to the person who holds these shares.

5.4. The acquirer of a common share shall notify the Company about the acquire of shares in the form of a common application, which is prepared by the person alienating his shares and the person buying the shares, or by means of an act evidencing the transaction. The record in the shareholders' register of the Company shall be made no later than on the next day after the Board of Directors receives the data on changes in the records of the shareholders' register of the Company.

SECTION VI COMMERCIAL AND FINANCIAL ACTIVITIES OF THE COMPANY

6.1. The Company's operating year starts on January 1 and ends on December 31.

6.2. The Company's annual report shall give a true and fair view of the Company's assets, liabilities and shareholders' equity, its financial position and income and expenses for the reporting year.

6.3. Immediately, but no later than within 2 (two) months after the end of the operating year the Board of Directors shall submit the Company's annual report for audit to a sworn (certified) auditor or a commercial company of sworn (certified) auditors registered in the Republic of Latvia (hereinafter "the Auditor").

6.4. The audit of the Company's annual report shall also include the audit of the Company in order to make sure that accounting records in the Company comply with the basic principles of accounting and that they give a true and fair view of the Company's financial position.

6.5. The Company organizes its bookkeeping and accounting and keeps its records as required by the Law.

6.6. The Board of Directors is responsible for bookkeeping and accounting records.

6.7. The dividend and financing policy shall be based on the following principles:

- (1) In order to reach a sound financial basis, the Company shall pursue adequate equity/financing ratios. In order to reach these ratios, retained earnings will be established from net profit after tax as long as it will be necessary;
- (2) The basic business policy of the Company will be structured in a way that an adequate net profit after tax is achieved;
- (3) Principally, the distribution of an adequate dividend to the shareholders is intended for each operating year;
- (4) The distribution of dividends will only be paid from available cash funds of the Company.

6.8. All the annual net profit of the Company after mandatory payments into the state budget according to the Law, payments into the funds of the Company and other payments determined by the Meeting of Shareholders is distributed among the shareholders in proportion to their shareholding in the share capital of the Company.

6.9. The property of the Company shall be insured with a Latvian or foreign insurance company. The insurance coverage and form of insurance are determined by the Board of Directors.

SECTION VII MANAGEMENT OF THE COMPANY

7.1. The management institutions of the Company shall be the Meeting of Shareholders, the Council and the Board of Directors.

7.2. The Meeting of Shareholders shall be the superior management institution of the Company.

7.3. The following issues are in exclusive competence of the Meeting of Shareholders:

- (1) the annual report of the Company;
- (2) distribution of the profit of the previous operating year;
- (3) appointment and dismissal of the members of the Council, auditors and liquidators;
- (4) bringing of claims against members of the board of directors and the Council and the auditor, or dismissal of claims against them, as well as appointment of a representative of the Company for upholding the claim against the members of the Council;
- (5) making amendments to the Articles of Association of the Company;
- (6) increase or decrease of the share capital of the Company;
- (7) termination or continuation of the activities of the Company or reorganization of the Company;
- (8) issue and conversion of the securities of the Company;
- (9) determination of remuneration for members of the Council and the auditors;

(10) other issues if they are directly prescribed in the Law.

7.4. The ordinary Meeting of Shareholders is every year called by the Board of Directors. When calling an ordinary Meeting of Shareholders, the Board of Directors shall take into account the period prescribed in the Law for approval of annual reports.

7.5. The Board of Directors shall notify shareholders on calling of the Meeting of Shareholders at least 30 (thirty) days before the expected Meeting of Shareholders through an announcement in the newspaper "Latvijas Vestnesis" (Latvian Herald) and in at least one more newspaper. The announcement shall specify the Firm (name) and the registered address of the Company, place, date and time of calling the Meeting, type of the Meeting (ordinary or extraordinary), the body which calls the Meeting, the activities which the Shareholders should perform in order to take part and vote at the Meeting, the status of the regulations on representation of Shareholders at the Meeting, agenda of the Meeting, as well as the information on where and when the Shareholders may familiarize themselves with the draft resolutions on the issues included in the agenda of the Meeting, as well as other issues to be discussed in the Meeting.

The Board of Directors shall invite the owners of common shares to the Meeting of Shareholders at least 30 (thirty) days before the Meeting by personal delivery of a notice or a notice sent by telefax and letter to the addresses of owners of public shares indicated in the shareholders register. The notice shall be considered to be received as of the date when the facsimile message is received. Such a notice shall specify the Firm (name) and the registered address of the Company, place, date and time of calling the Meeting, type of the Meeting (ordinary or extraordinary), the body, which calls the Meeting, the activities which the Shareholders should perform in order to take part and vote at the Meeting, the status of the regulations on representation of Shareholders at the Meeting, agenda of the Meeting, as well as shall include draft resolutions on the issues on the agenda of the Meeting, if any.

7.6. Extraordinary Meeting of Shareholders shall be called by the Board of Directors at its own initiative or if requested by the Council, auditor or Shareholders representing together at least 5% (five per cent) of the Company's share capital, by indicating the reasons and agenda of extraordinary Meeting of Shareholders. The Board of Directors shall call the extraordinary Meeting of Shareholders no later than within 2 (two) weeks after receipt of the respective request.

7.7. The Meeting of Shareholders has the quorum if at least one half of the share capital is represented at the Meeting.

If the ordinary Meeting of Shareholders announced on time is not competent because of the lack of quorum, then a repeated Meeting of Shareholders with the same agenda shall be convened not later than within a month's time. Such a repeated Meeting of Shareholders must be announced not less than 20 (twenty) days prior to its date and it has the right to decide on all issues included in the agenda regardless of the paid-up share capital of the Company represented at this Meeting.

If the extraordinary Meeting of Shareholders announced on time is not effective because it has no quorum, a repeated extraordinary Meeting of Shareholders with the same agenda shall be convened not later than within a month's time and it may proceed on all issues listed in the agenda if at least one quarter of the share capital is represented at the Meeting. In the event this

quorum is not present, the meeting shall be postponed and convened again within 2 (two) months' time after the initial meeting. The repeatedly convened Meeting of Shareholders is entitled to decide on all issues of the agenda regardless of the paid-up share capital of the Company represented at this Meeting.

The Meeting of Shareholders, in which the decisions prescribed in 7.9 are planned to be made, as well as repeatedly convened Meetings of Shareholders, in which the decisions prescribed in 7.9 are planned to be made, is entitled to make decisions if at least 85% (eighty-five per cent) of the share capital are represented in them.

7.8. The Meeting of Shareholders shall adopt decisions by open ballot and simple majority vote of shareholders with voting rights being present. The Meeting of Shareholders may decide that all the issues or specific issues on the agenda shall be decided by secret ballot.

7.9. The following issues may be decided by the Meeting of Shareholders if at least 85% (eighty-five per cent) of the paid-up share capital of the Company are represented and the decisions of the Meeting of Shareholders on those issues are adopted if voted for by $\frac{3}{4}$ (three quarters) of the shareholders represented with voting rights at the Meeting of Shareholders:

- (1) amendments to the Company's Articles of Association;
- (2) increase of the share capital of the Company;
- (3) decrease of the share capital of the Company;
- (4) reorganization and termination of the Company's activities;
- (5) issue of convertible debentures of the Company;
- (6) closing, changes or termination of the group agreement;
- (7) merger or agreement to merge with another company.

7.10. Minutes of the Meeting of Shareholders shall be kept. Minutes shall be signed by the chairman of the Meeting of Shareholders and two shareholders elected by the Meeting of Shareholders, as well as by the secretary of the meeting.

7.11. The Council is a supervisory body of the Company, which represents interests of the shareholders between Meetings of Shareholders and performs supervision of activities of the Board of Directors within the limits provided by the Law and these Articles of Association. The Council shall operate in accordance with its approved regulation.

7.12. The Council shall consist of 11 (eleven) Council members.

7.13. The Council is elected by the Meeting of Shareholders for the term of three (3) years.

A shareholder or a group of shareholders have the right to nominate their representatives for election to the Council. There may be nominated such a number of candidates that if dividing the capital with voting rights represented by a shareholder or group of shareholders by the number of representatives to be nominated, each representative has no less than five per cent of the whole capital with voting rights represented at the Meeting of Shareholders. The Meeting of Shareholders shall include each nominated candidate in the list of candidates to the Council.

When voting for members of the Council, each shareholder with voting rights has the right to give all votes belonging to him/her to one or several representatives included in the list in whole numbers in any proportion. Simultaneous voting for all of the candidates included in the list shall be made.

Those persons of the Shareholders shall be deemed to be elected, for which the maximum number of Council members according to the Articles of Association cast their votes.

If a Council member retires or is discharged from his office before expiry of the term of the Council mandate, then new elections are held during which the whole composition of the Council is reelected.

7.14. The Chairman of the Council and two (2) Vice-Chairmen shall be elected by simple majority vote of the Council from amongst themselves.

7.15. The Council has the following tasks:

(1) appointment and dismissal of the members of the Board of Directors, regular control over the activities of the Board of Directors, fixing of remuneration for the members of the Board of Directors;

(2) conducting of regular control to ensure that the operations of the Company are performed in accordance with the Laws, the Articles of Association and resolutions of the Council of the Company;

(3) review of the annual report of the Company and recommendations to the Board of Directors on distribution of the profit and preparation of its statement;

(4) representation of the Company's interests in the court regarding all claims brought by the Company against the members of the Board of Directors, including all claims brought by the members of the Board of Directors against the Company and representation of the Company in other court relationship with the members of the Board of Directors;

(5) approval of deals to be closed between the Company and a member of the Board of Directors or the auditor;

(6) preliminary review of all issues included in the agenda and being the competence of the Meeting of Shareholders or proposed for discussion in the Meeting of Shareholders at the request of the members of the Board of Directors or the Council and submission of conclusions on these issues.

7.16. The Council, in order to review individual issues and prepare reports on them, may establish standing commissions and temporary commissions.

7.17 The Council has the right at any time to demand from the Board of Directors a report on the overall position of the Company, units of the Company, enterprises, branches and representative offices the full information on their position and transactions entered into, to review budgets, balance sheets and auditors' reports on the Company, its branches, representative offices and enterprises, to review registers and books of the Company, cash register, securities. Any 2 (two) members of the Council together shall have the right to request such report from the Board of Directors to be given to the Council.

7.18. Meetings of the Council are called by the Chairman of the Board at necessity, but at least once in a quarter. The Board of Directors and each member of the Council is entitled to demand calling of an extraordinary meeting by indicating the reason and purpose of the meeting.

7.19. The Chairman of the Council notifies the members of the Council in writing on the meeting at least two (2) weeks ahead. In urgent cases, the Chairman may decide to shorten this period to 1 (one) week. Notice on the meeting shall be accompanied by the agenda and draft resolutions. The Council may discuss issues not properly notified only with the consent of all the members of the Council present at the meeting. A decision on such issues can only be taken if no member of the Council objects to this procedure.

7.20. The Council is entitled to decide on issues if more than a half of the members of the Council are present. Absent members of the Council shall have the right to vote on any resolution of the Council by submitting the vote in writing to another member of the Council, and in such a case they will be considered as being present in solution of such issue. Voting on telephone or any other way is allowed only in those cases if the means of communication permit the members of the Council simultaneously participate in discussion of the issue and in making a resolution, and provided that this action is properly fixed in documents.

7.21. The Council decides issues with the majority of the votes of the Council members present.

7.22. Minutes of the meetings shall be kept. Minutes of the meetings shall be signed by all the members of the Council physically present.

7.23. The Board of Directors consists of 5 (five) members. The members of the Board of Directors are elected by the Meeting of Shareholders for a term of three (3) years.

7.24. The members of the Council shall elect the Chairman and 2 (two) Vice-Chairmen of the Board of Directors from amongst the members of the Board of Directors.

7.25. The Council is entitled to withdraw any member of the Board of Directors if there is a serious reason for it. A serious reason in any case shall be a gross violation of powers, non-fulfillment or improper fulfillment of obligations, failure to lead the Company, causing harm to the Company's interests, as well as disloyalty expressed by the Meeting of Shareholders.

7.26. The Board of Directors supervises and manages all activities of the Company, represents the Company and manages the Company's property in accordance with the Law, these Articles of Association and the resolutions of the Meeting of Shareholders and the Council. The Board of Directors decides on all issues, which are not in the competence of the Council or the Meeting of Shareholders.

The Board of Directors has to receive an approval of the Council for deciding on the following issues:

(1) acquiring of the shareholding in other companies, its increase or decrease;

(2) foundation of the subsidiaries of the Company;

(3) purchase and sale of the assets substantial for the operation of the Company;

(4) foundation or closure of companies, branches and representative offices, as well as approval of their regulations (Articles of Associations), purchase, sale and lease of Company's property, or suspension of Company's operations;

(5) purchase of the real estate at a price above LVL 50,000 (fifty thousand lats) or purchase of any real estate if the annual purchase amount of real estate exceeds LVL 250,000 (two hundred and fifty thousand lats) and the purchase of these real estates is not planned in the annual budget of the Company, sale of the real estate at a price above LVL 100,000 (a hundred thousand lats), lease of the real estate at the lease payment, which per year is higher than LVL 50,000 (fifty thousand lats), as well as encumbering of the real estate;

(6) issuance of guarantees, except of guarantees, which are necessary to be issued in order to fulfill the measures stipulated in the Company's business plan or annual budget;

(7) closing of transactions between the Company and related parties (shareholders, members of the Council or the Board of Directors);

(8) closing of transactions, which are not stipulated in the Company's budget whose amount exceeds LVL 200,000 (two hundred thousand lats) or the term is longer than 1 (one) year;

(9) entering into strategically important long-term agreements on cooperation, as well as conclusion of such cooperation agreements, which require Company's financing, which exceeds the amount stated in subarticle 8 of clause 7.26;

(10) involving law firms, broker companies, advisors, investment consultants or auditors companies to prepare the public issue prospectus of Company's securities;

(11) granting of loans and taking of loans;

(12) full or partial refusal from exclusive license;

(13) preliminary review of the issue regarding a merger with another company or take-over by another company;

(14) approval of the Company's business plan;

(15) approval of the annual budget of the Company;

(16) establishment and use of the Company's reserves;

(17) approval of the Regulations of the Board of Directors;

(18) other significant issues.

7.27. The Board of Directors shall act according to the instructions of the Council and the Regulations of the Board of Directors, which after agreement with the Council have been approved by the Board of Directors.

7.28. Members of the Board of Directors may at any time demand from employees of the Company a report on the overall position of the Company, receive full information on the operations and transactions of the Company, its branches, enterprises and representative offices, check the budgets, balance sheet, auditors' reports on the Company and its branches, representative offices and enterprises, check other Company's records and documents.

7.29. Meetings of the Board of Directors are called at necessity but at least 1 (one) time in a month. Meetings are called by the Chairman of the Board of Directors. The Board of Directors is entitled to decide on issues if at least 3 (three) members of the Board of Directors are present. Board meetings are held in the procedure stipulated in the Regulations of the Board of Directors.

7.30. Decisions shall be adopted by simple majority votes of the members of the Board of Directors.

7.31. Minutes of the meetings of the Board of Directors shall be kept. Minutes shall be signed by all the members present.

7.32. The Board of Directors has to submit at least once a quarter to the Council and once a year to the Meeting of Shareholders a written report on its activities and most significant intentions regarding commercial operations and management, financial results of the Company, cash flow, main commercial activities conducted, sale of the goods and services, movement of securities and other activities important for the operation of the Company.

7.33. The Chairman of the Board of Directors manages the activities of the Board of Directors and organizes day-to-day operation of the Company, including:

- (1) informing the Council on any significant aspect of the Company's operations;
- (2) submitting the Company's structure for approval to the Board of Directors;
- (3) deciding on all operational issues of the Company within its competence;
- (4) organizing fulfillment of the decisions of the Meeting of Shareholders;
- (5) performing other functions provided in the Regulations of the Board of Directors;
- (12) reporting to the Council on transactions closed with the shareholders and other related persons;
- (13) organizing working preparing of the Regulations of the Board of Directors and their agreement with the Council.

7.34. The Chairman of the Board of Directors shall represent the Company individually, any other Board member shall represent the Company together with another Board member.

SECTION VIII PUBLICATION OF INFORMATION ON THE COMPANY

The Board of Directors of the Company in the established order shall publish in the official newspapers the Company's financial and operating results approved by the Meeting of Shareholders.

SECTION IX AUDIT OF THE COMPANY'S OPERATIONS

9.1. The financial statements of the Company shall be audited by an internationally recognized auditor.

9.2. The Meeting of Shareholders each year shall make a decision on appointment of a specific auditor. Auditors check the activities performed during the reporting year and act until the next Meeting of Shareholders.

9.3. When detecting violations and inaccuracies, auditors shall immediately inform the Board of Directors.

9.4. Immediately, but no later than 2 (two) months after the end of the reporting year, the Board of Directors shall inform the auditors that the Company's annual report has been prepared, the balance sheet closed and the documents are ready for checking.

9.5 The auditors draw up an opinion on the results of the audit of Company's operations where they indicate whether the annual report and the auditor's report, as well as the Company's accounting complies with the requirements of the law, that the financial statements give a true and fair view of the Company's assets, liabilities and shareholders' equity and the Company's financial condition at the end of the reporting year, as well as income and expenses in the reporting year, and whether the Board of Directors has provided all the necessary data, documents and explanations for preparing of the annual report. The auditors inform the Meeting of Shareholders of their auditor's report.

9.6 If the Meeting of Shareholders deems it necessary, it may elect one or several controllers of the Company who may conduct audit of the Company's operations at any time provided that the Board of Directors is properly informed of such action.

SECTION X PERSONNEL OF THE COMPANY

10.1. The Company's personnel are comprised of the employees employed on the basis of employment contracts.

10.2. Remuneration, employment conditions, social insurance and other issues related to the employment in the Company are determined by the Board of Directors in accordance with the Law and are included in the employment contracts, collective agreements and internal regulations of the Company.

SECTION XI TERMINATION OF THE COMPANY'S ACTIVITIES AND LIQUIDATION

11.1. The company ceases its activities:

- (1) in accordance with a resolution of the Meeting of Shareholders;
- (2) according to a court judgment;
- (3) upon commencement of bankruptcy proceedings;
- (4) in other cases stipulated in the Law.

11.2. The Company's liquidation according to the Law shall be performed by liquidators elected by the Meeting of Shareholders which shall set forth the procedure and terms of liquidation, as well as the amount and procedure of paying the fee to the liquidator.

11.3. The resolution on termination of the Company's operation shall be registered by the Board of Directors in the Commercial Register within 3 (three) days from making of this resolution.

11.4. After satisfying of the creditors' claims or disbursement of money amounts allocated to them and covering of expenses connected with liquidation, the liquidator shall prepare the final liquidation financial statements and a plan for distribution of the remaining Company's property for which liquidation quota is prescribed.

11.5. The remaining property of the Company shall be distributed among the Shareholders according to the plan of property distribution prepared by the liquidator pro rata the share of each Shareholder. The property is allowed to be distributed no earlier than in six months' time after publication of the announcement on termination of the Company's activities and two months after sending to the Shareholders the final liquidation financial statements and a plan for distribution of the remaining Company's property, or publication of the announcement on the possibility to get acquainted with these documents.

11.6. Until the Company completely ceases its operations, it shall comply with obligations according to the Law and these Articles of Association.

Riga, December 15, 2004

Adrians Davis

Chairman of the Board of Directors