

**General information on rights of shareholders, competence of the general meeting of shareholders, order of convocation and decision making thereof, as well as order of realisation of shareholders' rights in the meeting under the Estonian legal acts**

*IMPORTANT NOTICE: This information may not be considered and/or assumed as a legal advice regarding the issues described below and is provided solely for the informational purposes, aiming to present general information to the current shareholders of AB "City Service" on the same. Each shareholder should consult its legal advisor or other consultant regarding the legal advices. It should not be considered that under the below provided information the questions described hereof are discussed exhaustively; they are discussed generally. Furthermore, it should not be considered and/or assumed that the information is accurate as of any other date than the date of the notification, according to which this information is announced (11 August 2015).*

**1. Rights of shareholders under the Estonian legal acts.**

1.1. Applicable Estonian legal acts foresee the following main property rights of shareholders:

- (i) to receive a portion of the company's profit (dividends);
- (ii) to receive the company's funds when the capital of the company is reduced with a view to paying out the company's funds to the shareholders;
- (iii) to receive shares without payment if the capital is increased from the shareholders' equity (bonus issue);
- (iv) to have a pre-emption right in acquiring the shares or convertible debentures issued by the company, except in the case when the general meeting of shareholders decides to withdraw the pre-emption right for all the shareholders;
- (v) to receive a part of the assets of the company in liquidation;
- (vi) other property rights set out in the Commercial Code of the Republic of Estonia.

1.2. Applicable Estonian legal acts foresee the following main non-property rights of shareholders:

- (i) to attend general meetings of shareholders;
- (ii) to vote at general meetings of shareholders according to voting rights carried by their shares;
- (iii) to receive information on the activities of the company from the management board at the general meeting of shareholders, unless this may cause significant damage to the interests of the company;
- (iv) to demand the calling of a general meeting of shareholders of the company, if this is demanded by shareholders whose shares represent at least one-twentieth of the share capital of the company;
- (v) to call a general meeting of shareholders of the company, if the management board does not call a general meeting within one month after receipt of such a demand by shareholders whose shares represent at least one-twentieth of the share capital of the Company;
- (vi) to demand at the general meeting of shareholders of the company, a resolution on conduct of a special audit on matters regarding the management or financial situation of the company, if this is demanded by shareholders whose shares represent at least one-tenth of the share capital of the company;
- (vii) other non-property rights set out in the Commercial Code of the Republic of Estonia.

- 2. Competence of the general meeting of shareholders, order of convocation and decision making thereof.**
- 2.1. An annual general meeting of shareholders of the company must be called not later than within six months from the end of each financial year. The management board must call an extraordinary general meeting of shareholders, if:
- (i) the net assets of the company are less than one-half of the share capital or less than EUR 25,000; or
  - (ii) this is demanded by shareholders whose shares represent at least one-twentieth of the share capital; or
  - (iii) this is demanded by the supervisory board or the auditor; or
  - (iv) this is clearly in the interests of the company.
- 2.2. Notice on convocation of a general meeting of shareholders of the company shall be given at least three weeks in advance. Upon calling the general meeting of shareholders, the management board has to publish by way of a material event notification, on the company's website and in at least one daily national newspaper in Estonia.
- 2.3. A general meeting may adopt resolutions if shareholders who own over one-half of the votes represented by shares participate in the general meeting. If an insufficient number of shareholders are present, the management board shall, within three weeks but not earlier than after seven calendar days, call another meeting with the same agenda. This general meeting is competent to adopt resolutions regardless of the number of votes represented at the meeting.
- 2.4. The following competence of the general meeting of shareholders is established in the applicable Estonian legal acts:
- (i) to amend the Articles of Association;
  - (ii) to increase and reduce share capital;
  - (iii) to issue convertible bonds;
  - (iv) to elect and remove members of the supervisory board;
  - (v) to decide on conclusion as well as terms and conditions of transactions with the members of the supervisory board, decide on the conduct of legal disputes with the members of supervisory board, and appoint the representative of the company in such transactions and disputes;
  - (vi) to elect an auditor;
  - (vii) to designate a special audit;
  - (viii) to approve the annual report and distribute profit;
  - (ix) to decide on dissolution, merger, division or transformation of the company;
  - (x) to decide on other matters assigned to the competence of the general meeting by law.
- 2.5. A resolution of a general meeting shall be adopted if over one-half of the votes represented at the general meeting are in favour unless the law prescribes a greater majority requirement, i.e. the issues, indicated in items (i), (ii) and (ix), as well as the decision to remove the supervisory board members require the qualified majority of at least 2/3 votes represented at the general meeting. The decision to bar pre-emptive right to subscribe for new shares requires the qualified majority of at least 3/4 votes represented at the general meeting.

- 3. Realisation of the shareholders' rights in the general meetings of shareholders under the Estonian legal acts.**
- 3.1. The set of shareholders entitled to take part in a general meeting of shareholders of the company shall be determined as at the seventh calendar day before the date of holding the general meeting. A shareholder in person or a representative of a shareholder may participate in a general meeting. The representation right of a representative must be proven with a written document (proxy) or the company must be notified thereof in a secure manner, if the company provides with such a possibility. The participation of a representative does not deprive the shareholder of the right to participate in the general meeting of shareholders.
- 3.2. The shareholders will have to submit the following documents for the registration of participants of the general meeting:
- (i) the shareholder (natural person) will have to present the identity document (passport or ID card);
  - (ii) the representative of a shareholder (natural person) will have to present the identity document (passport or ID card) and the duly signed written Power of Attorney;
  - (iii) the legal representative of a shareholder (legal person) will have to present certified extract (or other similar document) from the relevant commercial (companies') registry of the country where the legal person is located and the identity document of the representative. The authorized representative of a shareholder (legal person) shall present, in addition to the documents listed hereinabove, the written Power of Attorney duly issued by the legal representative of the shareholder;
  - (iv) the shareholders whose shares are held through the nominee accounts in the Central Securities Depository of Estonia, will have to present the identity document (passport or ID card) and the duly signed written Power of Attorney issued by the holder of the nominee account indicating the number of shares owned by the shareholder.
- 3.3. As it is indicated in the notification on material event, to which this information is attached, on the Merger Date the shares of City Service AS for the current shareholders of AB "City Service", who have opened securities accounts in the Central Securities Depository of Estonia, will be transferred directly into such accounts. The shares of other shareholders will be accounted through the chain of intermediaries (custodians) – in the nominee account of the Central Securities Depository of Lithuania, as well as accounting thereof with the intermediaries, who currently manage the shares of AB "City Service" in their personal securities accounts. On the Merger Date these shareholders will have to make the respective entries in the securities accounts, reflecting the change of AB "City Service" shares to the shares of City Service AS.
- 3.4. The shareholders of City Service AS, the shares of which will be accounted not directly in the Central Securities Depository of Estonia, but through custodians and subcustodians, before participating in the general meeting of shareholders of the company will have to additionally (as compared with participation in the general meetings of shareholders of AB "City Service") receive the necessary Power of Attorney, as indicated in item (iv) of part 3.2 above.
- 3.5. Disregarding the above, the shareholders of City Service AS will have a right to open their securities accounts with the Central Securities Depository of Estonia at any time, to which the shares, held by the respective shareholder would be transferred. In such case the indicated Powers of Attorney would not be needed.