

**Blackstar Group Plc**  
(**"Blackstar"** or the **"Company"**)

**Notice of AGM, Posting of Annual Report and Accounts and further details of the proposal to convert the Company into a Societas Europaea**

**AGM**

The Blackstar Group Plc 2010 Annual General Meeting (the **"AGM"**) will be held at 58 rue Charles Martel, L-2134 Luxembourg on 22 June 2011 at 11h00 CET.

A circular containing the notice of the AGM, the Company's Annual Report and Accounts for the year ended 31 December 2010 and details of the proposal to convert the Company to a *Societas Europaea* (**"SE"**) has been posted to Company's shareholders (the **"Circular"**). This Circular is now available for download from the Company's website at [www.blackstar.lu](http://www.blackstar.lu).

**Background to SE Conversion and Migration**

As announced by the Company on 11 May 2011, in light of Blackstar's commitment to returning excess capital and a number of operational challenges, the board of directors of Blackstar (the **"Board"**) believes that the Company should be migrated to a jurisdiction that is more efficient for capital distributions and that reduces operational costs and complexities without impacting or prejudicing any rights of Blackstar's shareholders.

Currently, Blackstar is subject to the laws and regulations of the United Kingdom (**"UK"**) and Luxembourg as the Company's registered office is in the UK and its principal establishment and tax residence is in Luxembourg. The Luxembourg tax laws impose a 15% withholding tax on dividends and, in certain circumstances, on capital payments to shareholders, unless a shareholder is able to benefit from an exemption. Based on research on Blackstar's shareholder base, the Board understands that the majority of the Company's shareholders do not benefit from this exemption. In addition, due to the fact that Blackstar is subject to the laws of both the UK and Luxembourg, the Company incurs additional audit, legal and administration costs and faces the resulting complexities of using multiple advisors for the different jurisdictions.

After having taken legal advice and having considered the above, the Board is of the opinion that Luxembourg is no longer the most beneficial jurisdiction in which to operate. In accordance with the legal advice that the Board has been given, the only manner in which the Company can achieve a migration out of the United Kingdom and subsequently cease to be tax resident in Luxembourg is to convert the Company into an SE pursuant to Article 2(4) of Council Regulation (EC) No 2157/2001 (the **"SE Regulation"**) (the **"Conversion"**), and subsequently transfer the registered office of the newly formed SE from the UK to another EU member state, at the same time as moving the Company's administration function from Luxembourg to that EU member state (the **"Transfer"**). Following this process, the Company will become tax resident in the relevant EU member state.

**The process of the Conversion**

The Conversion is a necessary precursor to the subsequent Transfer, and the process to convert the Company to an SE is already underway.

In satisfaction of the requirements of the SE Regulation, the Board (in conjunction with the Company's legal advisers) has prepared draft terms of the Conversion (the "**Terms of the Conversion**") and a report explaining the legal and economic aspects of the Conversion (the "**Report**"). Copies of the Terms of Conversion and the Report are set out at pages 131 and 133 of the Circular respectively. In addition, these documents are also now available for inspection by the Company's shareholders at the Company's registered office and will remain available for such inspection until the end of the AGM.

In addition to the requirement to produce the Terms of the Conversion and the Report, a company which wishes to convert to an SE must, upon the conversion becoming effective, replace its articles of association with statutes. The Board (in conjunction with the Company's legal advisers) has produced draft statutes to be adopted by the Company upon completion of the Conversion (the "**Statutes**"). The Statutes are based on the existing articles of association of the Company and have been amended only to include those limited provisions which are required by the SE Regulation. None of the proposed changes between the Company's existing articles of association and the Statutes adversely affect the rights of shareholders. A summary of the changes which have been made is set out in paragraph 3 of the Terms of Conversion at page 131 of the Circular.

A copy of the proposed Statutes together with a copy of the Company's existing articles of association, marked to show the changes being proposed, are now available for inspection by the Company's shareholders at the Company's registered office and will remain available for such inspection until the end of the AGM.

#### **Approvals required from the Company's shareholders in connection with the Conversion**

In order to complete the Conversion, in accordance with the SE Regulation, the Company is required to obtain shareholder approval (by way of special resolutions which require a 75 per cent. majority by value of the ordinary shares in the capital of the Company present or represented at the AGM) in respect of the following:

1. the Conversion itself;
2. changing the Company's name to Blackstar Group SE;
3. the adoption by the newly formed SE of the draft statutes which the Board's legal advisers have prepared (as, following the Conversion, the Company's articles of association will be required to be replaced by such statutes); and
4. the redenomination of the Company's share capital from GBP to EUR (as, following the Conversion, the Company's share capital will be required to be denominated in EUR).

Resolutions in respect of the matters listed above will be proposed at the AGM and, if they are passed by the Company's shareholders, the Company will proceed to comply with certain procedural requirements for the Conversion and file the documents which are required to effect the Conversion at the Companies Registry and the RCS. The Conversion will become effective when the Companies Registry and the RCS re-register the Company as an SE, which should take approximately two weeks from the date of the AGM if the relevant resolutions are passed at that meeting.

#### **Proposed Transfer of the SE**

Following the Conversion, the newly formed SE can commence the process to effect the Transfer. As stated in the announcement released by the Company on 11 May 2011, a final decision as to which EU member

state the Company should be transferred to has not yet been made by the Board. The Board has, however, assessed the viability of a number of jurisdictions and currently considers Malta to be the most appropriate jurisdiction to transfer the Company to. The Company is not able to migrate to certain other attractive jurisdictions (for example the Channel Islands) as Blackstar is not able to transfer its registered office outside of the UK while it remains a UK public limited company and an SE is only capable of being migrated to another EU member state. Malta is an EU Member State and Maltese company law is based, for the most part, on UK company law. The Board considers that Maltese shareholder protections are very comprehensive and that Malta would offer a sound and attractive corporate environment. However, the decision as to which EU member state the Company should be transferred to will be taken once all the necessary advice has been carefully considered by the Board.

Following the completion of the Conversion, the administrative organ of the newly formed SE (previously the Board) will prepare a transfer proposal document setting out the proposed details of the Transfer, including details of the location of proposed registered office of the newly formed SE, any necessary changes to the statutes of the newly formed SE, any implications the Transfer may have on employees' involvement, the proposed Transfer timetable and any rights provided for the protection of shareholders and/or creditors (the "**Transfer Proposal**"), which will be circulated to the newly formed SE's shareholders. In order for the Transfer to become effective, the Transfer Proposal will be required to be approved by the Company's shareholders at a subsequent general meeting. Such general meeting will be convened in due course following completion of the Conversion.

**For further information, please contact:**

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