

Ivan Kaufmann

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Memorandum

Client: Ivan Kaufmann
Topic: Advice on EU/Icelandic Sanctions
Authors: [REDACTED]
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A. Background Information

We have been instructed by Ivan Nicolai Kaufmann (INK) to provide a legal assessment on the sanctions imposed by the Icelandic government. To this end, we will first summarize the underlying facts of the case (B.) and then consider the issue from an EU sanctions law perspective (C.), which the Icelandic government refers to. We conclude with a brief summary of the results of our legal assessment (D.)

B. Background and Ownership Structure of Titania Trading Limited

1. Company History and Structure

Titania Trading Limited is a Hong Kong Company. Titania Trading Limited used to have [REDACTED] a Swedish national, along with [REDACTED] a Chinese national, as a director. Both, [REDACTED] and [REDACTED] resigned as directors. The shareholder and beneficial owner of Titania Trading Limited is Ivan Kaufmann, a Swiss and Liechtenstein national, which has his legal domicile in Switzerland.

2. Ownership Changes and Separation from Norebo Group

After the Russian invasion of Ukraine (February 2022) and ensuing international sanctions against Russia, Norebo Group was split into two independently owned groups: one comprising the Russian operations and one comprising the international operations. This led to Norebo HK and Norebo Overseas Management Services Limited being separated from the Norebo Group.

Titania Trading Limited retained the same business address and registration number. First, [REDACTED] and [REDACTED] continued as directors. To the best of our knowledge, [REDACTED] who had served as director for various other companies within the Norebo Group, resigned from his last position as director of a Norebo company in early 2025 and has not held any management position within the Norebo Group since then.

On 16 May 2025, Nikita Orlov sold all shares in Titania Trading Limited in front of a state notary in the canton of Zurich, Switzerland to Ivan Kaufmann. This is confirmed by Titania Trading Limited's register of members.

These details were confirmed by [REDACTED] Hong Kong law firm, after inspecting Titania Trading Limited's Original Register of Members and Significant Controllers Register.

3. Regulatory Developments and Response

On 20 May 2025, the EU adopted Council Implementing Regulation (EU) 2025/965, listing Norebo Holding JSC in Annex I of Regulation (EU) 2024/2642 (REG 2024/2642).

In response to the listing of Norebo Holding JSC, Titania Trading Limited's directors resolved to comply strictly with EU Council Decision (CFPS) 2025/966 (the basis for Regulation 2025/965).

It is important to note that neither Titania Trading Limited nor its directors, shareholders, or UBO have been designated as sanctioned persons under EU sanctions law.

C. Legal Analysis

Since 20 May 2025, Norebo Holding JSC has been listed in Annex I to REG 2024/2642, with the consequence that "EU persons" within the meaning of Art. 19 REG 2024/2642, i.e., among others, legal persons, entities or bodies (PEB), inside or outside the territory of the Union, which are incorporated or constituted under the law of a Member State, are prohibited from making available, directly or indirectly, funds or economic resources to it or for its benefit of it pursuant to Art. 2(2) REG 2024/2642. "Funds" are defined in Art. 1 lit. g REG 2024/2642, as "financial assets and benefit of every kind, including, but not limited to: (i) cash, cheques, claims on money, drafts, money orders and other payment instruments; [...]". Therefore, electronic payments, including those for products received, are covered by the prohibition. As a company incorporated in Iceland, and according to the interpretation of the Icelandic government and of Arion Bank, Velfag, an 82% subsidiary of Titania Trading Limited, must comply with the prohibitions laid down in REG 2024/2642. However, payments to Titania would not be considered a prohibited direct or indirect making available of funds to a person listed in Annex I to REG 2024/2642. The same applies for a payment to the Icelandic tax authorities and/or the payment of salaries to Velfag employees, executed by Ivan Kaufmann personally. It cannot be explained or reasoned how a transfer of a non-sanctioned private individual to the tax authorities of Iceland, Icelandic pension funds and the salary payments to Velfag employees could be deemed or qualified as support of Russia's war against Ukraine.

Titania Trading Limited itself is not listed in Annex I to REG 2024/2642; a payment to Titania Trading Limited would therefore not constitute a direct making available of funds to a listed entity. The payment to Titania Trading Limited would also not constitute an indirect making available of funds to Norebo Holding JSC, as Titania Trading Limited is not owned or controlled by Norebo Holding JSC (1.) and it is not to be expected that any payments made by Velfag to Titania Trading Limited will be forwarded to Norebo Holding JSC or an entity owned or controlled by Norebo Holding JSC (2.). The same would apply for the transfer of assets of Velfag to Titania as a dividend in kind (e.g. Patents, intellectual property).

1. Titania Trading Limited Not Owned or Controlled by Norebo Holding JSC

1.1 The criterion to be taken into account when assessing whether a legal person, entity or body (PEB) is owned by another PEB is the possession of 50% or more of the proprietary rights of an entity.

See General Secretariat of the Council of the EU, EU Best Practices for the Effective Implementation of Restrictive Measures of 3 July 2024, document no. 11623/24, para. 63.

However, Titania Trading Limited was carved out from the Norebo Group prior to Norebo Holding JSC 's listing and remains fully owned by Ivan Kaufmann, which is a Swiss and Liechtenstein citizen with legal domicile in Switzerland. Therefore, Titania Trading Limited is not owned by a listed PEB.

1.2 There is also no indication that Titania Trading Limited or Velfag are controlled by Norebo Holding JSC .

1.2.1 According to the EU Best Practices for the Effective Implementation of Restrictive Measures, *“the criteria to be taken into account when assessing whether a legal person or entity is controlled by another person or entity, alone or pursuant to an agreement with another shareholder or other third party, could include, inter alia:*

- a. *having the right or exercising the power to appoint or remove a majority of the members of the administrative, management or supervisory body of such legal person or entity;*
- b. *having appointed solely as a result of the exercise of one's voting rights a majority of the members of the administrative, management or supervisory bodies of a legal person or entity who have held office during the present and previous financial year;*
- c. *controlling alone, pursuant to an agreement with other shareholders in or members of a legal person or entity, a majority of shareholders' or members' voting rights in that legal person or entity;*
- d. *having the right to exercise a dominant influence over a legal person or entity, pursuant to an agreement entered into with that legal person or entity, or to a provision in its Memorandum or Articles of Association, where the law governing that legal person or entity permits its being subject to such agreement or provision;*
- e. *having the power to, de facto, exercise the right to exercise a dominant influence referred to in point (d), without being the holder of that right;*
- f. *having the right to use all or part of the assets of a legal person or entity;*
- g. *managing the business of a legal person or entity on a unified basis, while publishing consolidated accounts;*
- h. *sharing jointly and severally the financial liabilities of a legal person or entity, or guaranteeing them." (para. 64)*

However, since the sole shareholder of Titania Trading Limited is Ivan Kaufmann, who has no Russian ancestors and who has no Russian citizenship, there are no indications that the above criteria apply to the relationship between Norebo Holding JSC and Titania Trading Limited respectively to Velfag. As a result of the carve-out, Titania Trading Limited and Velfag were completely separated from the Norebo Group meaning that Norebo Holding JSC

de jure no longer exercises any direct or indirect control, voting rights or veto rights over Titania Trading Limited since 2023.

1.2.2 Based on the information available to us, there are also no indications that Norebo Holding JSC de facto continues to exercise control over either Titania Trading Limited or Velfag.

There are no indications that Norebo Holding JSC as a listed PEB continues to exercise de facto control over Titania Trading Limited or Velfag.

At management level, there are no longer any overlaps or ties between the Norebo Group and Titania Trading Limited, Velfag, [REDACTED] and [REDACTED] who stayed on as directors of Titania Trading Limited after the carve out. Ivan Kaufmann never had contractual relationships to Norebo Group. Further, Ivan Kaufmann never held any positions as director or board member in any Norebo Group company. Before mentioned persons do not hold any positions in the Norebo Group. There are no other known professional ties between before mentioned persons and Norebo Group entities. There is no indication that Norebo Holding JSC has access to Titania Trading Limited's assets. There is also no indication that Norebo Holding JSC holds any factual power over Titania Trading Limited or Velfag. The finances of Titania Trading Limited and Norebo Holding JSC are separate. For a limited period of time [REDACTED] both non-sanctioned persons, remained to be directors of Titania Trading Limited. In the meantime, they have resigned. It is not unusual for the existing management, which has run the business well, to remain in place in the event of a share deal. After all, the buyer generally wants to acquire a functioning entity in order to generate profit.

Based on the guidance provided in the EU Best Practices for the Effective Implementation of Restrictive Measures, we also see no indications of continued de facto control by Norebo Holding JSC over Titania Trading Limited. The EU Best Practices describe circumstances that may indicate that a designated PEB exercises de facto control over a non-designated PEB. By way of example, the following criteria are mentioned:

- Buyback options;
- Transfer of shares at a time close to the designation;
- Use of front persons;
- Use of trusts, shell companies and limited liability companies.

While we cannot rule out with absolute certainty, based on the above-mentioned criteria set out in the EU Best Practices, that the non-listed individuals Nikita Orlov/Vitaly Orlov retained actual control over Titania Trading Limited, in our assessment there is no indication of continued de facto control by listed PEB Norebo Holding JSC over Titania Trading Limited. However, in the case at hand, this is irrelevant, as Vitaly Orlov is not a sanctioned PEB. Even if Velfag would provide funds or assets to Titania Trading Limited and such assets would eventually reach Vitaly Orlov, the provision of such assets would be permitted under the EU sanctions regime. At the same time, we consider it unlikely that assets provided by Velfag to Titania Trading Limited would be passed on to Norebo Holding JSC. While a connection between Titania Trading Limited and Vitaly Orlov cannot 100% be excluded, there are no indications that Titania Trading Limited still has any connection to the sanctioned entity Norebo Holding JSC. There are also no indications that Vitaly Orlov would forward any assets he may or may not still receive from Titania Trading Limited to Norebo Holding JSC. In fact, from an economic standpoint, it appears a lot more likely that any funds would flow into his private assets and be used as such. However, according to our evaluation, there are no existing contractual relationships between Ivan Kaufmann and Vitaly Orlov. While we consider it probable that the transfer of the stake in Titania Trading Limited from Nikita Orlov to Ivan Kaufmann shortly before the listing Norebo Holding JSC was motivated by concerns that Vitaly Orlov himself could also be added to the EU sanctions list, this has not happened. While the above-mentioned criteria could indicate an indirect making available of assets to a listed PEB if Vitaly Orlov himself had been sanctioned, they cannot be used as evidence that Norebo Holding JSC exercises de facto control over Titania Trading Limited and that assets transferred to Titania Trading Limited would therefore indirectly benefit Norebo Holding JSC.

2. Asset transfer by Velfag Not Expected to Be Forwarded to Norebo Group Entities

If there were indications that Titania Trading Limited intended to forward parts of Velfag's assets to the Norebo Group this could also qualify as an indirect making available of funds from Velfag to Norebo Holding JSC.

D. Conclusion

Based on the information and documents provided to us and based on open sourced information, the transfer of assets, such as machinery and spare parts by Velfag to Titania Trading Limited as a dividend in kind would not constitute an indirect making available of assets or funds to or for the benefit of a sanctioned PEB in the person of Norebo Holding JSC.

As there are no other sanctions restrictions apparent that could restrict asset transfers by Velfag to Titania Trading Limited, in particular, as Vitaly Orlov and/or Nikita Orlov, are not themselves subject to EU sanctions, we conclude that there are no sanctions-related concerns that would prevent Velfag from making assets transfers to Titania Trading Limited.

In case you have questions we are at your service.

Yours sincerely



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