

**PUBLIC COMPANY
“LIETUVOS ENERGIJA”**

REPORT ON INTENDED REORGANISATION

Prepared by the BOARD

Elektrėnai
2011

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1. DEFINITIONS

Capitalized words in this report on intended reorganization of the public company “Lietuvos energija”, prepared by the board of the public company “Lietuvos energija”, shall have the following meanings, except for cases where they have a different meaning in a particular context:

“**Companies**” shall collectively refer to AB „Lietuvos energija“ and AB Lietuvos elektrinė being reorganized, whereas **the “Company”** shall refer to any of the mentioned companies.

“**Lietuvos energija, AB**” shall be a new company, i.e. LIETUVOS ENERGIJA, AB, established by merging the Companies during the reorganizational process of the Companies, to which all assets, rights and obligations of the merged Companies are transferred.

“**Reorganization**” shall refer to reorganization of the Companies performed in compliance with the Civil Code of the Republic of Lithuania, the Law on Companies of the Republic of Lithuania and other respective normative legal acts of the Republic of Lithuania, by merging two public companies, i.e. AB „Lietuvos energija“ and AB Lietuvos elektrinė, that shall terminate their individual activity after the Reorganization has been completed and cease to exist as legal entities, into a new legal entity, i.e. Lietuvos energija, AB.

“**Reorganization Terms**” shall be the document prepared and approved by managing bodies of the Companies, including all annexes, supplements, amendments to the Reorganization Terms and other documents which are attached to the Reorganization Terms and (or) considered as their integral part.

“**Reorganized Companies**” shall be the companies that terminate their activity after Reorganization and cease to exist as legal entities, i.e. AB „Lietuvos energija“ and AB Lietuvos elektrinė.

“**AB „Lietuvos energija“** is a public company “LIETUVOS ENERGIJA” incorporated and operating in compliance with legislation of the Republic of Lithuania, registered with the Register of Legal Entities of the Republic of Lithuania under the legal entity code 220551550, at Elektrinės st. 21, Elektrėnai, including its branches Kauno hidroelektrinė and Kruonio HAE.

“**AB Lietuvos elektrinė**” is a public company LIETUVOS ELEKTRINĖ incorporated and operating in compliance with legislation of the Republic of Lithuania, registered with the Register of Legal Entities of the Republic of Lithuania under the legal entity code 110870933, at Elektrinės st. 21, Elektrėnai.

2. LEGAL BASIS FOR REORGANIZATION

Based on the Reorganization Terms drafted and approved by decisions of the boards of AB „Lietuvos energija“ and AB Lietuvos elektrinė adopted in the board meetings of AB „Lietuvos energija“ and AB Lietuvos elektrinė held on 11 May 2011, AB „Lietuvos energija“ and AB Lietuvos elektrinė participating in Reorganization shall be merged and on the basis of the assets, rights and obligations of these Companies a new legal entity of the same legal form shall be formed.

The report of AB „Lietuvos energija“ board on intended Reorganization is drafted in accordance with Part 3 of Article 2.99 of the Civil Code of the Republic of Lithuania and Article 64 of the Law on Companies.

This report of AB „Lietuvos energija“ board on intended Reorganization was approved by the decision of AB „Lietuvos energija“ board adopted in the board meeting of AB „Lietuvos energija“ held on 11 May 2011.

[signature]

Arvydas Darulis
Chairman of public company „Lietuvos energija“ board

3. INFORMATION ABOUT THE REORGANIZED COMPANIES AND THE NEW COMPANY RESULTING FROM REORGANIZATION

3.1. The reorganized Companies:

3.1.1. AB „Lietuvos energija“

- Name of a legal entity: public company “LIETUVOS ENERGIJA”;
- Legal form of a legal entity: public company;
- Address of registered office of a legal entity: Elektrinės St. 21, Elektrėnai, Republic of Lithuania;
- Code of a legal entity: 1220551550;
- Register where information about a legal entity is collected and kept: the Register of Legal Entities of the Republic of Lithuania;
- VAT payer’s code: LT205515515;
- Authorized capital: LTL 489,282,926 divided into 489,282,926 ordinary registered shares with the nominal value of LTL 1 each, the share issue (ISIN) number of which is LT0000117681;
- Paid up capital: LTL 489,282,926;
- All the regulated information of AB „Lietuvos energija“, including the historical financial information for the year 2008, 2009 and 2010 and the interim financial information, is available for acquaintance in the website of AB „Lietuvos energija“ www.lpc.lt, as well as in the website of AB NASDAQ OMX Vilnius Stock Exchange www.nasdaqombaltic.com and in the Central Regulated Data Base www.crib.lt;

3.1.2. AB Lietuvos elektrinė

- Name of a legal entity: public company LIETUVOS ELEKTRINĖ;
- Legal form of a legal entity: public company;
- Address of registered office of a legal entity: Elektrinės St. 21, Elektrėnai, Republic of Lithuania;
- Code of a legal entity: 110870933;
- Register where information about a legal entity is collected and kept: the Register of Legal Entities of the Republic of Lithuania;
- VAT payer’s code: LT108709314;
- Authorized capital: LTL 145,800,689 divided into 145,800,689 ordinary registered shares with the nominal value of LTL 1 each, the share issue (ISIN) number of which is LT0000126351;
- Paid up capital: LTL 145,800,689
- All the regulated information of AB Lietuvos elektrinė, including the historical financial information for the year 2008, 2009, 2010 and the interim financial information, is available for acquaintance in the website of AB Lietuvos elektrinė www.lelektrine.lt, as well as in the website of AB NASDAQ OMX Vilnius Stock Exchange www.nasdaqombaltic.com and in the Central Regulated Data Base www.crib.lt.

3.2. A new legal entity Lietuvos energija, AB shall be formed after reorganization has been completed

- Name of a legal entity: LIETUVOS ENERGIJA, AB;
- Legal form of a legal entity: public company;

- Address of registered office of a legal entity: Elektrinės st. 21, Elektrėnai, Republic of Lithuania;
- Code of a legal entity: to be given by the Register of Legal Entities, following the procedures laid down by legal acts of the Republic of Lithuania, after Lietuvos energija, AB has been registered with the Register of Legal Entities;
- Register where information about a legal entity is collected and kept: the Register of Legal Entities of the Republic of Lithuania, registrar – state enterprise Centre of Registers, Vilnius branch;
- The share issue (ISIN) code will be granted upon registration of the issue of Lietuvos energija, AB shares with the Central Securities Depository of Lithuania;
- Authorized capital: LTL 635,083,615.

3.3. For clarity reasons it should be noted that pursuant to the Reorganisation Terms and to the extent permitted by the law AB Lietuvos energija transfers the rights regarding corporate name “Lietuvos energija” to Lietuvos energija, AB.

3.4. In order to meet the legal requirements regarding the registration of Lietuvos energija, AB, with the Register of Legal Entities of the Republic of Lithuania under the name of Lietuvos energija, AB, the issue of the change of the name of AB “Lietuvos energija” is expected to be included into the agenda of the general meeting of shareholders of AB “Lietuvos energija” during which such issues as the Reorganisation Terms and the approval of the Articles of Association of Lietuvos energija, AB, and other issues will be considered and the notice on the convocation of which will be published as prescribed by the law. Once this general meeting of shareholders of AB “Lietuvos energija” resolves on the change of the name of AB “Lietuvos energija”, approves the new wording of the Articles of Association of AB “Lietuvos energija” and performs other deeds prescribed by the law, the new wording of the Articles of Association of AB “Lietuvos energija” stating the new name (i.e. the name approved by the shareholders) shall be registered with the Register of Legal Entities of the Republic of Lithuania, and the legal entity to be active after the Reorganisation, Lietuvos energija, AB, shall be registered with the Register of Legal Entities of the Republic of Lithuania accordingly.

4. MODE OF REORGANIZATION. THE COMPANIES CEASING THEIR EXISTENCE AFTER REORGANIZATION AND A NEW COMPANY TO BE ACTIVE AFTER REORGANIZATION

4.1. On the basis of the Reorganization Terms, the Companies are reorganized by way of merger, as laid down in paragraph 4 of Article 2.97 of the Civil Code of the Republic of Lithuania, merging the Reorganized Companies which will cease their existence as legal entities after Reorganization into Lietuvos energija, AB that will begin its operation after Reorganization and will be the successor to all assets, rights and obligations of the Reorganized Companies, i.e. the new legal entity Lietuvos energija, AB will result from the Companies ceasing their existence and will continue the activities. The Reorganization may be appealed under procedure established by legal requirements of the Republic of Lithuania and may be declared null and void on the grounds provided in legal requirements of the Republic of Lithuania.

- 4.2. The Companies ceasing their existence after Reorganization: AB „Lietuvos energija“ and AB Lietuvos elektrinė.
- 4.3. The new company which will be incorporated and will commence its activities after reorganization: Lietuvos energija, AB.

5. GOAL OF REORGANIZATION

- 5.1. The Reorganisation seeks to unite and optimise electricity production capacity by forming an electricity production unit. Goals of the formation of the production unit: (i) to purify and concentrate production activities in one company (ii) to restructure and centralise electricity production capacity required to ensure energy independence of the Republic of Lithuania.

6. REORGANIZATION TERMS. LEGAL AND ECONOMIC GROUNDS OF REORGANIZATION

- 6.1. Legal grounds of Reorganization. The Reorganization Terms have been drafted by the boards of the Companies upon instruction of the Companies' General Meetings of Shareholders held on 19 January 2011 (Reorganization Terms were considered and approved by the decision of AB „Lietuvos energija“ board meeting held on 11 May 2011 and by the decision of AB Lietuvos elektrinė's board meeting held on 11 May 2011). The Reorganization Terms were developed in accordance with the provisions of the Civil Code of the Republic of Lithuania, the Law on Companies and other legal acts of the Republic of Lithuania.
- 6.2. Economic grounds of Reorganization. As already mentioned in Section 5.1 of this Report, the reorganization is aimed at purification and concentration of electricity production in one enterprise – AB “Lietuvos energija”, also at reformation and centralization of electricity production capabilities that are necessary for the assurance of the energy independence of the Republic of Lithuania. The following main spheres of activities, in which the possibility to optimize the activities and advantages of scales of economy are foreseen, where identified:
 - 6.2.1. administration of activities – best management practices would be easier to implement in united energy production enterprise, the number of CEO's could be reduced;
 - 6.2.2. maintenance of non-technological general-purpose assets (buildings, infrastructure) – merged company would enable using the existing premises more effectively which would lead to the saving of their maintenance costs;
 - 6.2.3. finance management (treasury, bookkeeping) – reduction of the financial and investment costs and increase of income, as well as decrease in the demand for employees who perform finance management functions would be enabled;
 - 6.2.4. management of information technologies – due to the common IT economy, there will be no need to acquire overlapping systems, and as a result the costs of support of these systems and the need for employees performing the function of management of information technologies would decrease;

- 6.2.5. purchases and logistics – due to larger volumes of supply the suppliers could offer more favourable purchase conditions and, applying a uniform practice of stock management, the level of stock and the costs of low-value stock could be reduced;
- 6.2.6. production of energy and balancing – due to technological peculiarities and more favourable relations with transmission system operator the balancing energy costs could be reduced and the planning of power production mode could be optimized;

6.3. Authorised capital and establishment of share exchange rate.

- 6.3.1. As of the date of drawing up of the Reorganization Terms, authorised capital of AB “Lietuvos Energija” is LTL 489 282 926, divided into 489 282 926 ordinary registered shares of LTL 1 par value each.
- 6.3.2. As of the date of drawing up of the Reorganization Terms, authorised capital of Lietuvos Elektrinė is LTL 145 800 689, divided into 145 800 689 ordinary registered shares of LTL 1 par value each.
- 6.3.3. The authorised capital of Lietuvos Energija, AB, which will operate upon reorganisation, will amount to LTL 635 083 615, i. e. the amounts of the authorised capital of AB „Lietuvos energija“ and AB Lietuvos elektrinė will be summed up. The authorised capital of Lietuvos Energija, AB will be divided into 635 083 615 ordinary registered shares of LTL 1 per value each. The shareholdings in this capital will be determined based on the share exchange ratio as stated in Sub-Clauses 6.4.6 and 6.4.7.
- 6.3.4. In determining the ratio of exchange of the shares of AB „Lietuvos energija“ and AB Lietuvos elektrinė into the shares of AB „Lietuvos energija“, the values of the Shares of the Company were used as a basis. Seeking to determine correct values of the shares in both Companies, the Boards of the Companies took account of the Companies’ financial position in recent years and the prospects of the Companies; the Companies’ position in the market was also taken into account as both Companies are public interest companies whose operations are partially regulated and whose shares are listed on AB NASDAQ OMX Vilnius Securities Exchange. The determination of the ratio of exchange of the shares of AB „Lietuvos energija“ and AB Lietuvos elektrinė into the shares of Lietuvos Energija, AB was based on the revenue approach and the discounted cash flow method.
- 6.3.5. The revenue approach was selected because, due to objective circumstances described below, the Boards of the Companies were not able to obtain reliable data on the values of the Companies’ shares by the method of comparing the average weighted share prices on NASDAQ OMX Vilnius:
 - 6.3.5.1. Only a small part of the shares of AB „Lietuvos energija“ and AB Lietuvos elektrinė were traded on NASDAQ OMX Vilnius. As of 31 December 2010,

such shares accounted for 2.5% of the share capital of AB „Lietuvos energija“ and for 4.46% of the share capital of AB Lietuvos elektrinė.

- 6.3.5.2. The turnover of the shares of AB „Lietuvos energija“ and AB Lietuvos elektrinė on NASDAQ OMX Vilnius is not significant. The average daily turnover of shares in AB „Lietuvos energija“ during 2010 and four months of 2011 (excluding days when no transaction was concluded) was less than LTL 23,000 (whereas market capitalisation of AB „Lietuvos energija“ was LTL 1.014 million as of 31 December 2010). On average 11,117 shares were traded daily, with no trade in the shares on 64 days (including suspension of trade for 28 days due to reorganisation of AB „Lietuvos energija“). The average daily turnover of shares in AB Lietuvos elektrinė during 2010 and four months of 2011 was less than LTL 7,000 (whereas market capitalisation of AB Lietuvos elektrinė was LTL 1.909 million as of 31 December 2010), 1.475 shares were traded daily and no trade in the shares took place on 118 days.
- 6.3.5.3. As AB „Lietuvos energija“ is the largest shareholder of AB Lietuvos elektrinė, it is probable that the market price of the shares of AB „Lietuvos energija“ reflects the value of the shares of AB Lietuvos elektrinė.

Having regard to these circumstances, the Boards of the Companies considered that selection of the market approach would not enable an objective and reliable determination of the values of the Companies' shares, therefore, the revenue approach has been selected.

- 6.3.6. The discounted cash flow method has been selected for the determination of the prices of the Companies because, due to objective circumstances specified below, the Boards of the Companies were not able to obtain reliable data on the values of the Companies' shares by the method of the net book asset value: due to the spin-off of AB „Lietuvos energija“ in 2010, the transfer of the controlling block of shares in AB Lietuvos elektrinė, and the differences in the application of the International Business Accounting Standards by AB „Lietuvos energija“ and AB Lietuvos elektrinė, the Boards of the Companies could not obtain reliable and comparable data on net book values of non-current tangible assets of the Companies as of 31 December 2010. Furthermore, book value of equity does not objectively reflect the Companies' development opportunities and potential benefits from the generation of future cash flows.
- 6.3.7. As part of determination of the prices of the Companies' shares, cash flow forecasts were made for AB „Lietuvos energija“ and AB Lietuvos elektrinė for the period 2011 – 2020 by the discounted cash flow method, based on the data on the basic assumptions on the Companies' operations in 2011 – 2020 available to the Board as of 31 December 2010. In making these forecasts, the Boards of the Companies took account of the known prospects of the electrical power market, potential effect on the Companies' operations by the investment projects identified in the National Energy Strategy of the Republic of Lithuania as projects related to ensuring of energy security of the Republic of Lithuania, the known prospects of the legal framework for the regulated services provided by AB „Lietuvos energija“ and AB Lietuvos elektrinė, and other important circumstances. For the purposes of the forecasts, AB „Lietuvos energija“ and AB Lietuvos elektrinė were treated as

independent companies, i. e. operations of AB „Lietuvos energija“ were treated as the operations not including AB Lietuvos elektrinė.

6.3.8. In the forecasts, the Boards of the Companies took account of the following key assumptions on the operations of AB „Lietuvos energija“ and AB Lietuvos elektrinė:

6.3.8.1. The forecast for the growth in electricity prices and the forecast for the consumption of electricity in Lithuania were based on earlier studies.

6.3.8.2. The main components of operating costs of AB „Lietuvos energija“ and AB Lietuvos elektrinė were increased from year to year depending on forecast annual inflation rate.

6.3.8.3. The forecasts did not take account of potential cash flows received by AB „Lietuvos energija“ and AB Lietuvos elektrinė from exports of tertiary (cold) power reserving service.

6.3.9. In the forecasts, the Boards of the Companies took account of the following key assumptions on the operations of AB „Lietuvos energija“:

6.3.9.1. The values of capital of AB „Lietuvos energija“'s subsidiaries and associated companies (except Energijos Tiekimas UAB) were deemed to be not significant for the value of the shares in AB „Lietuvos energija“. The forecasts were made on an assumption that the book value of these companies is close to the market value.

6.3.9.2. It has been assumed, in the revenue forecasts for AB „Lietuvos energija“, that 100% of the electrical power generated by the Kruonis Hydro Pumped Storage Plant are sold in the market in peak times.

6.3.9.3. It has been assumed, in the revenue forecasts for AB „Lietuvos energija“, that 100% of the electrical power generated by the Kaunas Hydroelectric Power Plant is sold at market prices.

6.3.9.4. The financial forecasts for AB „Lietuvos energija“ include the capital investments in the construction of hydro unit 5 of the Kruonis Hydro Pumped Storage Plant.

6.3.9.5. It has been assumed, in the revenue forecasts for AB „Lietuvos energija“, that Energijos Tiekimas UAB, a subsidiary of AB „Lietuvos energija“, is in a position to remain a strong player in the retail market for electricity.

6.3.9.6. It has been assumed, in the revenue forecasts for AB „Lietuvos energija“, that the amounts of electricity imported by the Company (excluding the imported electricity used for the charging of the Kruonis Hydro Pumped Storage Plant) are decreasing in the forecast period.

- 6.3.10. In the forecasts, the Boards of the Companies took account of the following key assumptions on the operations of AB Lietuvos elektrinė:
- 6.3.10.1. It has been assumed in the forecasts that the generation volumes of AB Lietuvos elektrinė will increase upon putting into operation of Unit 9 at AB Lietuvos elektrinė.
 - 6.3.10.2. The power generation cost at AB Lietuvos elektrinė during the forecast period is deemed to be higher than the electricity sale price in the market. Therefore, it has been assumed that the difference between the power generation cost and the electricity market price will be fully covered by the payments received by AB Lietuvos elektrinė for the provision of the public-interest services.
 - 6.3.10.3. Upon putting into operation Unit 9 of AB Lietuvos elektrinė, the minimum demand for the tertiary (cold) power reserve for the reserving of AB Lietuvos elektrinė direct power generation sources will increase up to 450 MW. Therefore, in the forecasts for 2012 – 2020, an assumption has been made that two present units of AB Lietuvos elektrinė, 300 MW each, will be reserved.
 - 6.3.10.4. Subsidies received by AB Lietuvos elektrinė have not been included in the assets used for the provision of t AB Lietuvos elektrinė services whose price ceilings are regulated.
 - 6.3.10.5. Gas price forecasts for 2011 – 2015 are based on information on gas futures published by the European Energy Exchange; the gas price forecasts for 2016 – 2020 are based on long-term prices for oil in Europe and America.
 - 6.3.10.6. The forecasts for the environmental pollution permit (EPP) prices are based on the information on EPP futures published by the European Energy Exchange.
- 6.3.11. The values of the shares in AB „Lietuvos energija“ and AB Lietuvos elektrinė calculated as described above are LTL 939 071 000 and LTL 432 400 000 respectively.
- 6.3.12. Significant differences in the values of shares of the Companies have arisen from the evaluation described above. In the opinion of the Boards of the Companies, different values of the shares are determined by the following main reasons:
- 6.3.12.1. While core operations of AB Lietuvos elektrinė include generation of electrical power and heat energy and supply of power reserve, AB „Lietuvos energija“ is engaged in the generation of power, provision of system services (power reserving, supply of regulation electricity), wholesale and retail trade in electricity, and import and export of electricity. Due to the narrower scope of operations carried out by AB Lietuvos elektrinė, decisions by regulatory bodies governing the Companies' operations would have a stronger impact upon revenues of AB Lietuvos elektrinė.
 - 6.3.12.2. While the cost of power generation at the Kruonis Hydro Pumped Storage Plant and the Kaunas Hydroelectric Power Plant controlled by AB „Lietuvos energija“

is not strongly dependent on the fuel prices, the power generation cost at AB Lietuvos elektrinė is mainly dependent on the prices for raw materials (such as natural gas and fuel oil), whose fluctuations would have a significant effect on revenues of AB Lietuvos elektrinė.

6.3.12.3. Higher leverage levels of AB Lietuvos elektrinė would increase the risk of insolvency of this company. In addition, AB Lietuvos elektrinė incurs higher borrowing costs. This may directly affect revenues received by AB Lietuvos elektrinė and result in a lower value of the shares of AB Lietuvos elektrinė.

6.4. Rules of distribution of shares among shareholders.

6.4.1. Those persons who are shareholders of AB „Lietuvos energija“ and AB Lietuvos elektrinė as of the date when the Manager of the Legal Persons' Register of the Republic of Lithuania registers the newly formed company, Lietuvos Energija, AB, will be entitled to receive shares in Lietuvos Energija, AB.

6.4.2. AB „Lietuvos energija“ holds 139 292 961 ordinary registered shares in AB Lietuvos elektrinė, which accounts for ~95.54% of the authorised capital of AB Lietuvos elektrinė. Upon inclusion of the value of AB „Lietuvos energija“ shares referred to in Sub-Clause 6.3.11 of this Report into the value of AB Lietuvos elektrinė shares held by AB „Lietuvos energija“, the value of the shares in AB „Lietuvos energija“, including AB Lietuvos elektrinė shares held by AB „Lietuvos energija“, is LTL 1 352 185 960.

6.4.3. As, upon the Reorganization, AB „Lietuvos energija“ will cease its operations as a legal person, the shares in AB Lietuvos elektrinė shares held by AB „Lietuvos energija“ will not be exchanged for the shares in Lietuvos Energija, AB that will continue operations upon the Reorganization, and will be cancelled by de-registration of the Companies. As the shares in AB Lietuvos elektrinė shares held by AB „Lietuvos energija“ form part of the value of AB „Lietuvos energija“ shares held by AB „Lietuvos energija“ shareholders, in order to avoid infringement of interests of such shareholders, the ratio of exchange of the shares of AB „Lietuvos energija“ and AB Lietuvos elektrinė into the shares of Lietuvos Energija, AB set in these Reorganization Terms is such that the shareholders of AB „Lietuvos energija“ will retain the value of the shares held by them in AB „Lietuvos energija“ and the value of AB „Lietuvos energija“ shares in AB Lietuvos elektrinė is preserved upon such exchange.

6.4.4. Having regard to the circumstances referred to in Sub-Clause 6.4.3, for the purposes of setting the share exchange ratio:

6.4.4.1. the value of all the shares in AB „Lietuvos energija“ being exchanged, i.e. 489 282 926 shares accounting for 100% of the authorised capital of AB „Lietuvos energija“ (including the shares in AB Lietuvos elektrinė held by AB „Lietuvos energija“, i.e. 139 292 961 ordinary registered shares in AB Lietuvos elektrinė which account for ~95.54% of the authorised capital of AB Lietuvos elektrinė) is LTL 1 352 185 960,

6.4.4.2. the value of all the shares in AB Lietuvos elektrinė being exchanged, i.e. 6 502 711 shares accounting for ~4.46% of the authorised capital of AB Lietuvos

elektrinė, is LTL 19 285 040 (for avoidance of doubt, having regard to Sub-Clause 6.4.3, the rest of AB Lietuvos elektrinė shares, i. e. 139 292 961 shares accounting for ~95.54% of the authorised capital of AB Lietuvos elektrinė will not be exchanged during the Reorganisation.),

- 6.4.5. Based on the values stated in Sub-Clause 6.4.4, the ratio of the Companies' shares being exchanged is 98.59 : 1.41.
- 6.4.6. Having regard to Sub-Clause 6.4.4 of this Report and the ratio between the values of the shares in AB „Lietuvos energija“ and AB Lietuvos elektrinė being exchanged, which is 98.59 : 1.41, the shares in AB „Lietuvos energija“ will be exchanged for the shares in Lietuvos Energija, AB, which will operate upon the Reorganization, at the following ratio: for one share in AB „Lietuvos energija“, 1.28 shares in Lietuvos Energija, AB, will be given, with the rounding-off as follows:
- 6.4.6.1. if the fraction share of the total number of shares held by a shareholder is 0.5 or larger, then number of shares in Lietuvos Energija, AB received by the shareholder of AB „Lietuvos energija“ upon the Reorganisation will be rounded off to a whole number in the increasing direction;
- 6.4.6.2. if the fraction share of the total number of shares held by a shareholder is smaller than 0.5, then the number of shares in Lietuvos Energija, AB received by the shareholder of AB „Lietuvos energija“ upon the Reorganisation will be rounded off to a whole number in the decreasing direction (the difference between the whole number and the fraction will not be compensated for in cash).
- 6.4.7. Having regard to Sub-Clauses 6.4.2 and 6.4.3 of this Report and the ratio between the values of the shares in AB „Lietuvos energija“ and AB Lietuvos elektrinė being exchanged, which is 98.59 : 1.41, the shares in AB Lietuvos elektrinė will be exchanged for the shares in Lietuvos Energija, AB, which will operate upon the Reorganization, at the following ratio: for one share in AB Lietuvos elektrinė, 1.37 shares in Lietuvos Energija, AB, will be given, with the rounding-off as follows:
- 6.4.7.1. if the fraction share of the total number of shares held by a shareholder is 0.5 or larger, then the number of shares in Lietuvos Energija, AB received by the shareholder of AB Lietuvos elektrinė upon the Reorganisation will be rounded off to a whole number in the increasing direction;
- 6.4.7.2. if the fraction share of the total number of shares held by a shareholder is smaller than 0.5, then the number of shares in Lietuvos Energija, AB received by the shareholder of AB Lietuvos elektrinė upon the Reorganisation will be rounded off to a whole number in the decreasing direction (the difference between the whole number and the fraction will not be compensated for in cash)
- 6.4.8. Any shareholder of AB „Lietuvos energija“ and/or AB Lietuvos elektrinė who will receive less one share after the rounding off according to the rules referred to Sub-Clauses 6.4.6 and 6.4.7 of this Report, will receive one share in Lietuvos Energija, AB.

- 6.4.9. Should it be determined that the number of the shares calculated for the shareholders according to Sub-Clauses 6.4.5, 6.4.6 and 6.4.7 exceeds the authorised capital of Lietuvos Energija, AB, the number of shares will be reduced for the shareholder, who receives the largest number of shares in Lietuvos Energija, AB according to the calculations under Sub-Clauses 6.4.5, 6.4.6 and 6.4.7, by the number of shares equal to the difference between the number of shares calculated for the shareholders under Sub-Clauses 6.4.5, 6.4.6 and 6.4.7 and the number of shares in the authorised capital of Lietuvos Energija, AB, which will operated upon the Reorganization.
- 6.4.10. Should it be determined that the number of the shares calculated for the shareholders according to Sub-Clauses 6.4.5, 6.4.6 and 6.4.7 is smaller than the authorised capital of Lietuvos Energija, AB, the number of shares will be increased for the shareholder, who receives the largest number of shares in Lietuvos Energija, AB according to the calculations under Sub-Clauses 6.4.5, 6.4.6 and 6.4.7, by the number of shares equal to the difference between the number of shares calculated for the shareholders under Sub-Clauses 6.4.5, 6.4.6 and 6.4.7 and the number of shares in the authorised capital of Lietuvos Energija, AB, which will operated upon the Reorganization.
- 6.4.11. During at least 5 business days after the dates of the general meetings of shareholders of AB „Lietuvos energija“ and AB Lietuvos elektrinė at which resolutions on the approval of the Reorganization Terms will be considered, trade in the shares of AB „Lietuvos energija“ and AB Lietuvos elektrinė will not be suspended so that to allow the shareholders of AB „Lietuvos energija“ and AB Lietuvos elektrinė to sell their shares in AB „Lietuvos energija“ and AB Lietuvos elektrinė to third parties at their own discretion.
- 6.4.12. Upon expiration of the term referred to in Sub-Clause 6.4.11 but prior to the submission of the constitutional documentation of Lietuvos Energija, AB to the Manager of the Legal Persons' Register of the Republic of Lithuania for the registration of the newly formed company Lietuvos Energija, AB, trade in the shares of AB „Lietuvos energija“ and AB Lietuvos elektrinė in the additional trading list of AB NASDAQ OMX Vilnius will be suspended and subsequently the shares will be deleted from the said list.
- 6.4.13. Upon Reorganization, an application will be immediately filed to AB NASDAQ OMX Vilnius for the listing of the shares of Lietuvos Energija, AB in the trading list of AB NASDAQ OMX Vilnius.

7. CONTINUITY OF ACTIVITIES, REORGANIZATION TERMS AND CONDITIONS

- 7.1. The main activities of AB „Lietuvos energija“ are production of electric power, provision of system services (power reserve, energy regulation) and management of electricity production capacities. AB Lietuvos elektrinė main activities are production of electrical and thermal power. When performing these activities, the Companies shall:
- 7.1.1. be responsible for the Companies' production units to the point of transmission network equipment, and safety, reliability, operation, maintenance, management and development thereof pursuant to the needs of

producers and users, as well as for production of electricity, management of production facilities, support of power reserve;

- 7.1.2. on the basis of the contracts arranged with transmission system operator and independent suppliers shall ensure proper supply of electric power for balancing transmission system and use of active power reserve following the needs of the system.
- 7.1.3. perform other functions related to production of electricity and supply of system services.
- 7.2. The terms of activities in electricity sector shall be governed by the EU legislation Directive 2009/72/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in electricity and repealing Directive 2003/54/EC, etc.), and national legislation (the Law on Energy of the Republic of Lithuania, the Law on Electricity of the Republic of Lithuania, resolutions of the Government of the Republic of Lithuania, the orders of the Minister of Energy of the Republic of Lithuania, and decisions of the State Prices and Energy Control Commission, etc.).
- 7.3. Lietuvos energija, AB, the company to be active after Reorganization, will continue the activities of the Reorganized Companies as defined in Section 7.1 of this Report and will ensure the compliance of the performed activities with the requirements of valid legal acts, to operate technically, maintain, manage and develop the production facilities, effective and safe production of electricity, meet environmental requirements, supply of system services, secure the protection of consumer interests, etc.
- 7.4. The prices of services provided by the Companies shall be regulated through price caps imposed by the State Prices and Energy Control Commission.
- 7.5. Deregistration of AB „Lietuvos energija“ and AB Lietuvos elektrinė from the Register of Legal Entities of the Republic of Lithuania as a result of Reorganisation will also lead to the deregistration of Kruonis Pumped Storage Plant (a branch of AB Lietuvos energija) and Kaunas Hydroelectric Plant (a branch of AB Lietuvos energija) from the Register of Legal Entities of the Republic of Lithuania following the procedure established by the law, which will cease to exist as structural subdivisions of AB „Lietuvos energija“ with the special status of a branch. Meanwhile, Kruonis Pumped Storage Plant and Kaunas Hydroelectric Plant will be transferred to Lietuvos energija, AB, according to the procedure established by the Terms of Reorganisation and will continue the activities of Kruonis Pumped Storage Plant (a branch of AB Lietuvos energija) and Kaunas Hydroelectric Plant (a branch of AB Lietuvos energija) as integrated subdivisions of Lietuvos energija, AB
- 7.6. 7.2. Lietuvos energija, AB, the company to be active after Reorganization, will take over all long-term and current assets of AB „Lietuvos energija“ (including the branch of AB „Lietuvos energija“ Kruonio HAE and the branch of AB „Lietuvos energija“ Kauno hidroelektrinė) and AB Lietuvos elektrinė, as well as long-term and current financial and other liabilities, amounts receivable and amounts payable under agreements concluded by AB „Lietuvos energija“ and AB Lietuvos elektrinė, or

obligations arising on any other grounds. Lietuvos energija, AB will also take over all other assets, rights and obligations of AB „Lietuvos energija“ (including the branch of AB “Lietuvos energija” Kruonio HAE and the branch of AB “Lietuvos energija” Kauno hidoroelektrinė) and AB Lietuvos elektrinė under transactions and obligations arising on any other grounds (including the rights and obligations under collective agreements and employment contracts concluded, funds of AB „Lietuvos energija“ (including the branch of AB “Lietuvos energija” Kruonio HAE and the branch of AB “Lietuvos energija” Kauno hidoroelektrinė) and AB Lietuvos elektrinė in bank accounts, agreements with consumers, electricity generators, independent suppliers and providers of goods, services and/or works), as well as rights and obligations arising from other documents concluded by AB „Lietuvos energija“ (including the branch of AB “Lietuvos energija” Kruonio HAE and the branch of AB “Lietuvos energija” Kauno hidoroelektrinė) and AB Lietuvos elektrinė (technical conditions, design conditions, etc.), also rights and obligations arising from applications that AB „Lietuvos energija“ (including the branch of AB “Lietuvos energija” Kruonio HAE and the branch of AB “Lietuvos energija” Kauno hidoroelektrinė) and AB Lietuvos elektrinė had submitted to institutions and (or) associations for granting the protection for trademarks, and (or) names of the legal entities and (or) for registering the rights to the trademarks, other means of intellectual property and industrial design, except for the rights and obligations of AB „Lietuvos energija“ (including the branch of AB “Lietuvos energija” Kruonio HAE and the branch of AB “Lietuvos energija” Kauno hidoroelektrinė) and AB Lietuvos elektrinė which pursuant to imperative provisions of law of the Republic of Lithuania are prohibited or may not be assigned to other person during reorganization. Lietuvos energija, AB will also take over all the rights to the licences, permits and certificates used by AB „Lietuvos energija“ (including the branch of AB “Lietuvos energija” Kruonio HAE and the branch of AB “Lietuvos energija” Kauno hidoroelektrinė) and AB Lietuvos elektrinė, if legal acts provide for the possibility of such assignment of rights (hereinafter the abovementioned assets, rights and obligations that are taken over by Lietuvos energija, AB are referred to as the **“Transferred assets, rights and obligations”**).

- 7.7. 7.3. Lietuvos energija, AB will take over all the Transferred assets, rights and obligations (especially, with regard to consumers) and all the transactions of AB „Lietuvos energija“ AB „Lietuvos energija“ (including the branch of AB “Lietuvos energija” Kruonio HAE and the branch of AB “Lietuvos energija” Kauno hidoroelektrinė) and AB Lietuvos elektrinė will be included in the accounting of Lietuvos energija, AB on a certain day until the moment when the licences granting Lietuvos energija, AB the right to carry out electricity production activity (the **“Licences and permissions”**) are issued and become effective (the **“Date of Transfer”**) Lietuvos energija, AB. Accordingly, as of this moment Transferred assets, rights and obligations will be considered as those of Lietuvos energija, AB, including the rights and obligations under employment contracts. In addition, as of the moment of registration of Lietuvos energija, AB, on the basis of these Reorganization Terms Lietuvos energija, AB shall be granted a right to use all the assets and enjoy all the rights, financial, managerial and technological capabilities and other resources of AB „Lietuvos energija“ (including the branch of AB “Lietuvos energija” Kruonio HAE and the branch of AB “Lietuvos energija” Kauno hidoroelektrinė) and AB Lietuvos elektrinė (including human resources) free of charge to the extent that it is necessary for acquisition of the Licences and permissions and any other authorizations,

certificates, licences as required for the activities of Lietuvos energija, AB, their coming into effect, and fulfilment of the related obligations and compliance with the related requirements laid down in legal acts; as well as, for uninterrupted and high-quality provision services to consumers.

- 7.8. After the Date of Transfer, on the basis of these Reorganization Terms, AB „Lietuvos energija“ (including the branch of AB “Lietuvos energija” Kruonio HAE and the branch of AB “Lietuvos energija” Kauno hidoroelektrinė) and AB Lietuvos elektrinė shall be granted the right to use all the assets and enjoy the rights financial, managerial and technological capabilities and other resources of Lietuvos energija, AB (including human resources) free of charge to the extent that it is necessary for fulfilment of the obligations and compliance with the requirements laid down in legal acts in connection with the Licenses and permissions, as well as, for uninterrupted and high-quality provision of services to consumers.
- 7.9. In order to ensure the continuity and stability of the activities of AB “Lietuvos energija” and AB Lietuvos elektrinė, prior to date of Transfer all transactions with the third party and other legally binding actions related to the activities of AB „Lietuvos energija“(including activities of Kruonis Pumped Storage Plant (a branch of AB Lietuvos energija) and Kaunas Hydroelectric Plant (a branch of AB Lietuvos energija)) and AB Lietuvos elektrinė shall be concluded and performed on behalf of AB „Lietuvos energija“ and AB Lietuvos elektrinė, unless a particular situation requires otherwise, and later transferred to Lietuvos energija, AB, together with the transferred assets, rights and obligations.
- 7.10. Lietuvos energija, AB, after its registration with the Register of Legal Entities, will apply immediately for issue of the Licences under procedure established by legal acts. When the date of entry of Licences into effect becomes known, as at the Date of Transfer (i.e. on a certain day until the date of entry of Licenses into effect) separate deeds of transfer and acceptance of AB „Lietuvos energija“ and AB Lietuvos elektrinė assets, rights and obligations (including the rights and obligations under employment contracts) will be signed between Lietuvos energija, AB and AB „Lietuvos energija“ , and Lietuvos energija, AB and AB Lietuvos elektrinė. The mentioned deeds of transfer and acceptance as well as these Reorganization Terms shall be a legal basis for Lietuvos energija, AB, entered into the Register of Legal Entities, to take over the Transferred assets, rights and obligations, and register the Transferred assets, rights and obligations with the Real Estate Register or any other institutions or organisations in case Lietuvos energija, AB’s title to the Transferred assets, rights and obligations should be recorded in particular registers or other documents.
- 7.11. While Lietuvos energija, AB seeks to obtain the Licences and any other authorisations, certificates, licences and other permits required for the activities and to ensure uninterrupted supply of electricity, the situation may occur when certain assets, rights and obligations of AB „Lietuvos energija“(including the branch of AB “Lietuvos energija” Kruonio HAE and the branch of AB “Lietuvos energija” Kauno hidoroelektrinė) and/or AB Lietuvos elektrinė will have to be transferred to Lietuvos energija, AB later than any other assets, rights and obligations. In such event, specific deeds of transfer and acceptance of assets, rights and obligations will be executed defining the peculiarities of transfer of specific assets, rights and obligations.

- 7.12. If the transfer of the respective rights and obligations according to the transactions or of other rights and obligations requires the approval/consents of other counterparties to such transactions or public or municipal authorities, the Companies before the completion of the Reorganisation shall make all reasonable effort to obtain such approval/consents. If such approval/consents are not received by the date of Transfer, the Companies shall make all reasonable effort that instead of the rights and obligations that it cannot acquire Lietuvos energija AB would acquire rights and obligations as close by their content and financial effect as possible (e.g. would enter into a new transaction establishing similar rights and obligations, or would obtain a respective consent or licence).
- 7.13. Lietuvos energija, AB, the company to be active after Reorganization, shall be granted the right to manage, use and dispose of funds in AB „Lietuvos energija“(including the branch of AB “Lietuvos energija” Kruonio HAE and the branch of AB “Lietuvos energija” Kauno hidroelektarinė) and AB Lietuvos elektarinė bank accounts and their the bank accounts, or, otherwise, these accounts shall be closed and their funds shall be transferred to the bank accounts of Lietuvos energija, AB.
- 7.14. In the course of transformation of companies operating in the electric power sector of the Republic of Lithuania, it is planned to refuse some assets or functions that are not related to the main activities of AB „Lietuvos energija“ and AB Lietuvos elektarinė, namely to spin-off or refuse the function of servicing the production devices. Due to the mentioned spin-off or refusal of assets and functions, AB „Lietuvos energija“ and AB Lietuvos elektarinė may transfer or refuse some assets, rights and obligations held during preparation of these Reorganisation Terms. If the said changes in activities of AB „Lietuvos energija“ and/or AB Lietuvos elektarinė occur before adoption of the decision of shareholders to reorganise AB „Lietuvos energija“ and AB Lietuvos elektarinė and to approve the Reorganisation Terms, and such changes are deemed material changes of assets, rights and obligations of AB „Lietuvos energija“ and/or AB Lietuvos elektarinė, the managers of AB „Lietuvos energija“ and AB Lietuvos elektarinė will draft and deliver the notices stipulated in Article 65(4) of the Law on Companies of the Republic of Lithuania.
- 7.15. The intended commencement of Lietuvos energija, AB’s activities after takeover from AB „Lietuvos energija“ and AB Lietuvos elektarinė of the Transferred assets, rights and obligations: 1 August 2011.

8. INFORMATION ABOUT DRAFTING OF THE REPORT ON ASSESSMENT OF REORGANIZATION TERMS

The Reorganization Terms shall be assessed and the assessment report shall be executed by the audit company „ERNST & YOUNG BALTIC“ (code of legal entity 110878442, registered office at Subačiaus st. 7, LT-01127 Vilnius, number of audit licence 00133). The Register of Legal Entities of the Republic of Lithuania approved on 4 April 201j this audit company as common for both Companies. The Report on assessment of the Reorganization Terms will be completed and submitted not later than on the first day of public announcement about the prepared Reorganization Terms.

Letterhead of Ernst & Young Baltic

AB Lietuvos energija
Elektrinės g. 21
Elektrėnai
Republic of Lithuania

AB Lietuvos elektrinė
Elektrinės g. 21
Elektrėnai
Republic of Lithuania

11 May 2011

Dear Sir/Madam,

We have performed the assessment of the terms of reorganisation of AB Lietuvos energija and AB Lietuvos elektrinė and have prepared the assessment report (Annex 1). The assessment has been performed in accordance with Article 63(2) and (3) of the Law of the Republic of Lithuania on Companies and the provisions of the Civil Code, and is limited to the application of the laws of the Republic of Lithuania.

During the assessment of the terms of reorganisations we referred to documents and information provided to us by the representatives of AB Lietuvos energija and AB Lietuvos elektrinė. No additional inquiries have been made to any third party in order to obtain additional information.

The assessment of the terms of reorganisation is based on the assumption that all documents made available to us as well as all data contained in such documents are true and reflect the existing situation; that all signatures and seals on such documents are authentic; that copies of documents conform to the original documents, and that no amendment or supplement was made to these documents after they were presented to us for assessment. We have not verified whether information made available to us was true and complete, except in cases stated in the report. Our assessment does not extend to any other documents of AB Lietuvos energija and AB Lietuvos elektrinė save for the ones listed in Annex 2, and it is limited to information and documents made available to us for the purpose of assessment. We shall not assume any liability for updating the assessment report if any changes are revealed after the date of the provision of the assessment report.

The scope of our work is much narrower than an audit or a review that is performed in order to express an opinion on financial and other information of AB Lietuvos energija and AB Lietuvos elektrinė in accordance with International Standards on Auditing or any other applicable professional standards. If an audit or a review is performed, our assessment would have other objectives and other conclusions, remarks or recommendations could be provided.

Yours Sincerely,

[signature]

Asta Štreimikienė
Auditor

Auditor's Licence No 000382

ASSESSMENT REPORT OF THE TERMS
OF REORGANISATION OF
AB LIETUVOS ENERGIJA AND
AB LIETUVOS ELEKTRINĖ

AB Lietuvos energija
Elektrinės g. 21
Elektrėnai
Republic of Lithuania

AB Lietuvos elektrinė
Elektrinės g. 21
Elektrėnai
Republic of Lithuania

11 May 2011

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The assessment of the terms of reorganisation is based on the assumption that all documents made available to us as well as all data contained in such documents are true and reflect the existing situation; that all signatures and seals on such documents are authentic; that copies of documents conform to the original documents, and that no amendment or supplement was made to these documents after they were presented to us for assessment. We have not verified whether information made available to us was true and complete, except in cases stated in the report. Our assessment does not extend to any other documents of AB Lietuvos energija and AB Lietuvos elektrinė save for the ones listed in Annex 2, and it is limited to information and documents made available to us for the purpose of assessment. We shall not assume any liability for updating the assessment report if any changes are revealed after the date of the provision of the assessment report.

The scope of our work is much narrower than an audit or a review that is performed in order to express an opinion on financial and other information of AB Lietuvos energija and AB Lietuvos elektrinė in accordance with International Standards on Auditing or any other applicable professional standards. If an audit or a review is performed, our assessment would have other objectives and other conclusions, remarks or recommendations could be provided.

Yours Sincerely,

Asta Štreimikienė
Auditor

Auditor's Licence No 000382

Annex 1

ASSESSMENT REPORT

I. General remarks

AB Lietuvos energija, legal form of the legal entity: public limited liability company, registered office at Elektrinės g. 21, Elektrėnai, Republic of Lithuania, Code 220551550, information about the legal entity is filed with the Register of Legal Entities of the Republic of Lithuania, registrar: Vilnius Branch Office of State Enterprise Centre of Registers, (hereinafter referred to as AB Lietuvos energija), and

AB Lietuvos elektrinė, legal form of the legal entity: public limited liability company, registered office at Elektrinės g. 21, Elektrėnai, Republic of Lithuania, Code 110870933, information about the legal entity is filed with the Register of Legal Entities of the Republic of Lithuania, registrar: Vilnius Branch Office of State Enterprise Centre of Registers, (hereinafter referred to as AB Lietuvos elektrinė),

are reorganised by merger, pursuant to Article 2.97(4) of the Civil Code of the Republic of Lithuania, by merging AB Lietuvos energija and AB Lietuvos elektrinė (who shall be dissolved as legal entities following the merger) into Lietuvos energija, AB, which shall commence its activities after the Reorganisation and which shall become a successor to all assets, rights and obligations of Reorganised Companies.

II. Remarks on the Terms of Reorganisation:

1) Contents of the Terms of Reorganisation

The Terms of Reorganisation have been drawn up pursuant to the provisions of Article 63 of the Law of the Republic of Lithuania on Companies. The Terms of Reorganisation discuss and define all aspects of reorganisation provided by the law.

2) Change of the denomination of shares

Pursuant to Chapter 5 of the Terms of Reorganisation, the denomination of shares is not changed during reorganisation. The authorised capital of Lietuvos energija, AB, to be active after the Reorganisation shall be LTL 635,083,615. The authorised capital of Lietuvos energija, AB, shall be divided into 635,083,615 ordinary registered shares with the par value of LTL 1 each.

3) Transfer of assets, rights and obligations

Pursuant to Chapter 7 of the Terms of Reorganisation, during reorganisation Lietuvos energija, AB, to be active after the Reorganisation shall become a successor to all fixed assets, current assets, also long-term and short-term financial and other obligations, accounts receivable and accounts payable under contracts entered into by AB Lietuvos energija and AB Lietuvos elektrinė, and other otherwise arising obligations of AB Lietuvos energija (including Kruonis Pumped Storage Plant (a branch of AB Lietuvos energija) and Kaunas Hydroelectric Plant (a branch of AB Lietuvos energija)) and AB Lietuvos elektrinė.

4) Specials rights are provided for members of the bodies of the company involved in the reorganisation and of the company to be active after the reorganisation, also to experts assessing the terms of reorganisation

Pursuant to Chapter 9 of the Terms of Reorganisation, the Boards and Heads of AB Lietuvos energija and AB Lietuvos elektrinė as well as experts performing the assessment of the Terms

of Reorganisation enjoy all rights during the Reorganisation that they are entitled to by the laws of the Republic of Lithuania, concluded contracts and the articles of association of the Companies.

The new company Lietuvos energija, AB, shall have the following bodies: the general meeting of shareholders, a collegial management body – the board that will consist of 5 members elected for the term of 4 years, and a single person management body – the director general; the powers of these bodies shall be as defined in the laws of the Republic of Lithuania and the articles of association of Lietuvos energija, AB.

III. Conclusions on the fairness and reasonableness of the conversion rate of shares

On the date of the Terms of Reorganisation the authorised capital of AB Lietuvos energija was LTL 489,282,926, which was divided into 489,282,926 ordinary registered shares with the par value of LTL 1 each.

On the date of the Terms of Reorganisation the authorised capital of AB Lietuvos elektrinė was LTL 145,800,689, which was divided into 145,800,689 ordinary registered shares with the par value of LTL 1 each.

Pursuant to the Terms of Reorganisation, the authorised capital of Lietuvos energija, AB, to be active after the Reorganisation shall be LTL 635,083,615, which shall be divided into 635,083,615 ordinary registered shares with the par value of LTL 1 each.

The fairness of the conversion rate of shares shall depend on the how precisely the real values of the shares to be converted are established.

As is analysed in detail in Chapter IV below, the calculation of the conversion rate of shares of AB Lietuvos energija and AB Lietuvos elektrinė into shares of Lietuvos energija, AB, was based on the values of shares of the Companies established from the revenue point of view and based on the method of discounted cash flow. Thus, the value of all shares of AB Lietuvos energija and AB Lietuvos elektrinė calculated as stated above is LTL 939,070,507 and LTL 432,300,000 respectively, while the ratio of share values of AB Lietuvos energija and AB Lietuvos elektrinė is 68.47:31.53.

AB Lietuvos energija holds 139,292,961 ordinary registered shares of AB Lietuvos elektrinė, which amounts to approximately 95.54% of the authorised capital of AB Lietuvos elektrinė. If the value of these shares of AB Lietuvos elektrinė held by AB Lietuvos energija is included into the value of shares of AB Lietuvos energija stated in paragraph 5.10 of the Terms of Reorganisation, the value of shares of AB Lietuvos energija (including the shares of AB Lietuvos elektrinė held by AB Lietuvos energija) shall be LTL 1,352,089,927.

With due consideration to the above circumstances, for the purpose of establishing the conversion rate of shares, the value of shares of AB Lietuvos energija to be converted (including the shares of AB Lietuvos elektrinė held by AB Lietuvos energija) shall be LTL 1,352,089,927, and the value of shares of AB Lietuvos elektrinė to be converted shall be LTL 19,285,040, while the ratio of values of shares of both Companies shall be 98.59:1.41.

With due consideration to the final ration of values of shares of AB Lietuvos energija and AB Lietuvos elektrinė, which is 98.59:1.41, the shares of AB Lietuvos energija shall be converted into the shares of Lietuvos energija, AB, to be active after the Reorganisation according to the following rate: one share of AB Lietuvos energija shall traded for 1.28 shares of Lietuvos energija, AB. The shares of AB Lietuvos elektrinė shall be converted into the shares of Lietuvos energija, AB, to be active after the Reorganisation according to the following rate: one share of AB Lietuvos elektrinė shall traded for 1.37 shares of Lietuvos energija, AB. The

rounding rules provided in the Terms of Reorganisation seem to be proper in the given situation, as they take into account the shareholders with the minority interest.

With due consideration to the above, we may state that the conversion rate of shares is essentially reasonable and fair.

IV. Methods used to establish the conversion rate of shares. Conclusions regarding the reasonableness of the these methods and their impact on the determination of the value of shares

Pursuant to the Terms of Reorganisation, the calculation of the conversion rate of shares of AB Lietuvos energija and AB Lietuvos elektrinė into shares of Lietuvos energija, AB, was based on the value of shares of the Companies. The Terms of Reorganisation provide comprehensive considerations and assumptions that were used for establishing the fair value of shares of both Companies.

Considerations that prices in the stock market cannot be directly relied upon seem unreasonable. The fact that AB Lietuvos energija is the largest shareholder of AB Lietuvos elektrinė and that it seems likely that the market price of shares of AB Lietuvos energija also reflects the value of shares of AB Lietuvos elektrinė in one way or another is especially important (or on the contrary – this fact is not sufficiently considered).

Likewise, even though the assessment when using the method of accounting values would be one of the easiest methods to apply (even though it has significant limitations because in general case the accounting value of equity fails to objectively reflect the developmental opportunities of the Companies and the potential future benefit of the generation of cash flow), arguments that it is wrong to rely on this method seem reasonable and convincing, especially considering limitations related to the accounting of fixed assets of the Companies that the auditors of the Companies mention in their opinion.

Even though any assessment analysis is based on assumptions and is not precise, we think that the provision of the Terms of Reorganisation to use the revenue point of view and to follow the method of discounted cash flow in establishing the conversion rate of shares of AB Lietuvos energija and AB Lietuvos elektrinė into the shares of Lietuvos energija, AB is correct, as:

- the assessment analysis has been performed with due consideration to the specific case of reorganisation;
- the assumptions that formed the basis for the assessment analysis were comprehensively described and seemed reasonable;
- the performed assessment analysis pertained to the situation on 31 December 2010, i.e. the last date on which the audited financial information of the Companies was publicly available;
- limitations regarding the made assumptions were clearly stated and were not higher than the assumptions that are usually made for assessment analyses.

V. Description of encountered assessment difficulties

Material difficulties encountered during the assessment:

- Because only a small part of shares of AB Lietuvos energija and AB Lietuvos elektrinė is traded in NASDAQ OMX Vilnius stock exchange, the turnover of shares of AB Lietuvos energija and AB Lietuvos elektrinė in NASDAQ OMX Vilnius stock exchange is low; also, as AB Lietuvos energija is the largest shareholder of AB Lietuvos elektrinė, it seems likely that the market price of shares of AB Lietuvos energija reflects the value of shares of AB Lietuvos elektrinė as well; thus, the stock

- exchange information could not be used for establishing the value of shares even though in general it would be one of the most reliable methods of assessment;
- The income point of view was used and the method of discounted cash flow was followed; they have the usual limitations applicable to such assessment analysis.

No more difficulties were encountered during the assessment.

Annex 2

LIST OF DOCUMENTS

1. Terms of Reorganisation, including annexes;
2. Table for the calculation of the conversion rate of shares;
3. Resolution of the general meeting of shareholders of AB Lietuvos energija on the approval of the drafting of the Terms of Reorganisation.
4. Resolution of the general meeting of shareholders of AB Lietuvos elektrinė on the approval of the drafting of the Terms of Reorganisation.

Translation from Lithuanian

REORGANIZATION TERMS
OF
PUBLIC COMPANY “LIETUVOS ENERGIJA”
AND
PUBLIC COMPANY LIETUVOS ELEKTRINĖ

ELEKTRĖNAI
2011

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1. DEFINITIONS

Capitalized definitions used in these Reorganization Terms shall have the following meanings, except for cases where they have a different meaning in a particular context:

“**Companies**” shall collectively refer to AB „Lietuvos energija“ and AB Lietuvos elektrinė being reorganized, whereas **the “Company”** shall refer to any of the mentioned companies.

“**Lietuvos energija, AB**” shall be a new company, i.e. LIETUVOS ENERGIJA, AB, established by merging the Companies during the reorganizational process of the Companies, to which all assets, rights and obligations of the merged Companies are transferred.

“**Reorganization**” shall refer to reorganization of the Companies performed in compliance with the Civil Code of the Republic of Lithuania, the Law on Companies of the Republic of Lithuania and other respective normative legal acts of the Republic of Lithuania, by merging two public companies, i.e. AB „Lietuvos energija“ and AB Lietuvos elektrinė, that shall terminate their individual activity after the Reorganization has been completed and cease to exist as legal entities, into a new legal entity, i.e. Lietuvos energija, AB.

“**Reorganization Terms**” shall be the document prepared and approved by managing bodies of the Companies, including all annexes, supplements, amendments to the Reorganization Terms and other documents which are attached to the Reorganization Terms and (or) considered as their integral part.

“**Reorganized Companies**” shall be the companies that terminate their activity after Reorganization and cease to exist as legal entities, i.e. AB „Lietuvos energija“ and AB Lietuvos elektrinė.

“**AB „Lietuvos energija“**” is a public company “LIETUVOS ENERGIJA” incorporated and operating in compliance with legislation of the Republic of Lithuania, registered with the Register of Legal Entities of the Republic of Lithuania under the legal entity code 220551550, at Elektrinės st. 21, Elektrėnai, including its branches Kauno hidroelektrinė and Kruonio HAE.

“**AB Lietuvos elektrinė**” is a public company LIETUVOS ELEKTRINĖ incorporated and operating in compliance with legislation of the Republic of Lithuania, registered with the Register of Legal Entities of the Republic of Lithuania under the legal entity code 110870933, at Elektrinės st. 21, Elektrėnai.

2. LEGAL BASIS FOR REORGANIZATION

The Companies shall be reorganized and these Reorganization Terms have been prepared in compliance with provisions of the Civil Code of the Republic of Lithuania, the Law on Companies of the Republic of Lithuania and other respective normative legal acts of the Republic of Lithuania.

Reorganization Terms have been prepared by the Boards of the Companies, after approvals of General Meetings of Shareholders of AB „Lietuvos energija“ and AB Lietuvos elektrinė dated 19th January 2011 have been obtained (Annex No. 1 and Annex No. 2).

Reorganization Terms were considered and approved by the decisions of the Board Meetings of AB „Lietuvos energija“ and AB Lietuvos elektrinė, both dated 11 May 2011.

[signature]

Arvydas Darulis
Chairman of the Board
Public company “Lietuvos energija”

[signature]

Arvydas Darulis
Chairman of the Board
Public company AB Lietuvos elektrinė

3. INFORMATION ABOUT THE REORGANIZED COMPANIES AND THE NEW COMPANY RESULTING FROM REORGANIZATION

3.1. The reorganized Companies:

3.1.1. AB „Lietuvos energija“

- Name of a legal entity: public company “LIETUVOS ENERGIJA”;
- Legal form of a legal entity: public company;
- Address of registered office of a legal entity: Elektrinės St. 21, Elektrėnai, Republic of Lithuania;
- Code of a legal entity: 1220551550;
- Register where information about a legal entity is collected and kept: the Register of Legal Entities of the Republic of Lithuania;
- VAT payer’s code: LT205515515;
- Authorized capital: LTL 489,282,926 divided into 489,282,926 ordinary registered shares with the nominal value of LTL 1 each, the share issue (ISIN) number of which is LT0000117681;
- Paid up capital: LTL 489,282,926;
- All the regulated information of AB „Lietuvos energija“, including the historical financial information for the year 2008, 2009 and 2010 and the interim financial information, is available for acquaintance in the website of AB „Lietuvos energija“ www.lpc.lt, as well as in the website of AB NASDAQ OMX Vilnius Stock Exchange www.nasdaqomxbaltic.com and in the Central Regulated Data Base www.crib.lt;

3.1.2. AB Lietuvos elektrinė

- Name of a legal entity: public company LIETUVOS ELEKTRINĖ;
- Legal form of a legal entity: public company;
- Address of registered office of a legal entity: Elektrinės St. 21, Elektrėnai, Republic of Lithuania;
- Code of a legal entity: 110870933;
- Register where information about a legal entity is collected and kept: the Register of Legal Entities of the Republic of Lithuania;
- VAT payer’s code: LT108709314;
- Authorized capital: LTL 145,800,689 divided into 145,800,689 ordinary registered shares with the nominal value of LTL 1 each, the share issue (ISIN) number of which is LT0000126351;
- Paid up capital: LTL 145,800,689
- All the regulated information of AB Lietuvos elektrinė, including the historical financial information for the year 2008, 2009, 2010 and the interim financial information, is available for acquaintance in the website of AB Lietuvos elektrinė www.lelektrine.lt, as well as in the website of AB NASDAQ OMX Vilnius Stock Exchange www.nasdaqomxbaltic.com and in the Central Regulated Data Base www.crib.lt.

3.2. A new legal entity Lietuvos energija, AB shall be formed after reorganization has been completed

- Name of a legal entity: LIETUVOS ENERGIJA, AB;
- Legal form of a legal entity: public company;

- Address of registered office of a legal entity: Elektrinės st. 21, Elektrėnai, Republic of Lithuania;
- Code of a legal entity: to be given by the Register of Legal Entities, following the procedures laid down by legal acts of the Republic of Lithuania, after Lietuvos energija, AB has been registered with the Register of Legal Entities;
- Register where information about a legal entity is collected and kept: the Register of Legal Entities of the Republic of Lithuania, registrar – state enterprise Centre of Registers, Vilnius branch;
- The share issue (ISIN) code will be granted upon registration of the issue of Lietuvos energija, AB shares with the Central Securities Depository of Lithuania;
- Authorized capital: LTL 635,083,615.

3.3. For clarity reasons it should be noted that pursuant to the Reorganisation Terms and to the extent permitted by the law AB Lietuvos energija transfers the rights regarding corporate name “Lietuvos energija” to Lietuvos energija, AB. Order of transfer of property, rights and obligations of AB “Lietuvos energija (including its branches Kauno hidroelektrinė and Kruonio HAE) to Lietuvos energija, AB is enlarged on Section 7 of these Reorganization Terms.

3.4. In order to meet the legal requirements regarding the registration of Lietuvos energija, AB, with the Register of Legal Entities of the Republic of Lithuania under the name of Lietuvos energija, AB, the issue of the change of the name of AB “Lietuvos energija” is expected to be included into the agenda of the general meeting of shareholders of AB “Lietuvos energija” during which such issues as the Reorganisation Terms and the approval of the Articles of Association of Lietuvos energija, AB, and other issues will be considered and the notice on the convocation of which will be published as prescribed by the law. Once this general meeting of shareholders of AB “Lietuvos energija” resolves on the change of the name of AB “Lietuvos energija”, approves the new wording of the Articles of Association of AB “Lietuvos energija” and performs other deeds prescribed by the law, the new wording of the Articles of Association of AB “Lietuvos energija” stating the new name (i.e. the name approved by the shareholders) shall be registered with the Register of Legal Entities of the Republic of Lithuania, and the legal entity to be active after the Reorganisation, Lietuvos energija, AB, shall be registered with the Register of Legal Entities of the Republic of Lithuania accordingly.

4. MODE AND GOAL OF REORGANIZATION, LEGAL AND ECONOMIC GROUNDS. THE COMPANIES CEASING THEIR EXISTENCE AFTER REORGANIZATION AND A NEW COMPANY TO BE ACTIVE AFTER REORGANIZATION

4.1. On the basis of the Reorganization Terms, the Companies are reorganized by way of merger, as laid down in Section 2.97 (4) of the Civil Code of the Republic of Lithuania, merging the reorganized Companies which will cease their existence as legal entities after Reorganization into Lietuvos energija, AB that will begin its operation after Reorganization and will be the successor to all assets, rights and obligations of the Reorganized Companies, i.e. the new legal entity Lietuvos energija, AB will result from the Companies ceasing their existence and will continue the activities. The

Reorganization may be appealed under procedure established by legal requirements of the Republic of Lithuania and may be declared null and void on the grounds provided in legal requirements of the Republic of Lithuania.

- 4.2. The Reorganisation seeks to unite and optimise electricity production capacity by forming an electricity production unit. Goals of the formation of the production unit: (i) to purify and concentrate production activities in one company (ii) to restructure and centralise electricity production capacity required to ensure energy independence of the Republic of Lithuania.
- 4.3. The Companies ceasing their existence after Reorganization: AB „Lietuvos energija“ and AB Lietuvos elektrinė.
- 4.4. The new company which will be incorporated and will commence its activities after reorganization: Lietuvos energija, AB.

5. THE NUMBER BY CLASSES AND NOMINAL VALUE OF SHARES IN REORGANIZED COMPANIES AND THE COMPANY TO BE ACTIVE AFTER REORGANIZATION. CONVERSION RATE OF SHARES AND ITS SUBSTANTIATION. RULES OF DISTRIBUTION OF SHARES AMONG SHAREHOLDERS

- 5.1. Solely the persons who are shareholders of AB „Lietuvos energija“ and AB Lietuvos elektrinė on the day when the Registrar of Legal Entities registers a newly incorporated company, i.e. Lietuvos energija, AB, shall have the right to obtain Lietuvos energija, AB shares.
- 5.2. The rate at which shares of the Reorganized Companies will be converted into the shares issued by Lietuvos energija, AB to be active after Reorganization is established on the basis of values of the Companies' shares defined in Section 5.13 of the Reorganization Terms (the table on the calculation of the shares conversion rate is attached as Annex No 3).
- 5.3. As of the date of drawing up of the Reorganization Terms, authorised capital of AB “Lietuvos Energija” is LTL 489 282 926, divided into 489 282 926 ordinary registered shares of LTL 1 par value each.
- 5.4. As of the day of these Reorganization Terms the authorized capital of AB Lietuvos elektrinė is LTL 145,800,689 and is divided into 145,800,689 ordinary registered shares of LTL 1 nominal value each.
- 5.5. The authorized capital of Lietuvos energija, AB to be active after Reorganization will be equal to LTL 635,083,615, i.e. the authorized capitals of AB „Lietuvos energija“ and AB Lietuvos elektrinė will be aggregated. The authorized capital of Lietuvos energija, AB will be divided into LTL 635,083,615 ordinary registered shares of LTL 1 nominal value each.

- 5.6. In determining the ratio of exchange of the shares of AB „Lietuvos energija“ and AB Lietuvos elektrinė into the shares of AB „Lietuvos energija“, the values of the Shares of the Company were used as a basis. Seeking to determine correct values of the shares in both Companies, the Boards of the Companies took account of the Companies’ financial position in recent years and the prospects of the Companies; the Companies’ position in the market was also taken into account as both Companies are public interest companies whose operations are partially regulated and whose shares are listed on AB NASDAQ OMX Vilnius Securities Exchange. The determination of the ratio of exchange of the shares of AB „Lietuvos energija“ and AB Lietuvos elektrinė into the shares of Lietuvos Energija, AB was based on the revenue approach and the discounted cash flow method.
- 5.7. The revenue approach was selected because, due to objective circumstances described below, the Boards of the Companies were not able to obtain reliable data on the values of the Companies’ shares by the method of comparing the average weighted share prices on NASDAQ OMX Vilnius.
- 5.7.1. Only a small part of the shares of AB „Lietuvos energija“ and AB Lietuvos elektrinė were traded on NASDAQ OMX Vilnius. As of 31 December 2010, such shares accounted for 2.5% of the share capital of AB „Lietuvos energija“ and for 4.46% of the share capital of AB Lietuvos elektrinė.
- 5.7.2. The turnover of the shares of AB „Lietuvos energija“ and AB Lietuvos elektrinė on NASDAQ OMX Vilnius is not significant. The average daily turnover of shares in AB „Lietuvos energija“ during 2010 and four months of 2011 (excluding days when no transaction was concluded) was less than LTL 23,000 (whereas market capitalisation of AB „Lietuvos energija“ was LTL 1.014 million as of 31 December 2010). On average 11,117 shares were traded daily, with no trade in the shares on 64 days (including suspension of trade for 28 days due to reorganisation of AB „Lietuvos energija“). The average daily turnover of shares in AB Lietuvos elektrinė during 2010 and four months of 2011 was less than LTL 7,000 (whereas market capitalisation of AB Lietuvos elektrinė was LTL 1.909 million as of 31 December 2010), 1.475 shares were traded daily and no trade in the shares took place on 118 days,
- 5.7.3. As AB „Lietuvos energija“ is the largest shareholder of AB Lietuvos elektrinė, it is probable that the market price of the shares of AB „Lietuvos energija“ reflects the value of the shares of AB Lietuvos elektrinė.

Having regard to these circumstances, the Boards of the Companies considered that selection of the market approach would not enable an objective and reliable determination of the values of the Companies’ shares, therefore, the revenue approach has been selected.

- 5.8. The discounted cash flow method has been selected for the determination of the prices of the Companies because, due to objective circumstances specified below, the Boards of the Companies were not able to obtain reliable data on the values of the Companies’ shares by the method of the net book asset value: due to the spin-off of AB „Lietuvos energija“ in 2010, the transfer of the controlling block of shares in AB Lietuvos elektrinė, and the differences in the application of the International Business Accounting Standards by AB „Lietuvos energija“ and AB Lietuvos elektrinė, the Boards of the

Companies could not obtain reliable and comparable data on net book values of non-current tangible assets of the Companies as of 31 December 2010. Furthermore, book value of equity does not objectively reflect the Companies' development opportunities and potential benefits from the generation of future cash flows.

- 5.9. As part of determination of the prices of the Companies' shares, cash flow forecasts were made for AB „Lietuvos energija“ and AB Lietuvos elektrinė for the period 2011 – 2020 by the discounted cash flow method, based on the data on the basic assumptions on the Companies' operations in 2011 – 2020 available to the Board as of 31 December 2010. In making these forecasts, the Boards of the Companies took account of the known prospects of the electrical power market, potential effect on the Companies' operations by the investment projects identified in the National Energy Strategy of the Republic of Lithuania as projects related to ensuring of energy security of the Republic of Lithuania, the known prospects of the legal framework for the regulated services provided by AB „Lietuvos energija“ and AB Lietuvos elektrinė, and other important circumstances. For the purposes of the forecasts, AB „Lietuvos energija“ and AB Lietuvos elektrinė were treated as independent companies, i. e. operations of AB „Lietuvos energija“ were treated as the operations not including AB Lietuvos elektrinė.
- 5.10. In the forecasts, the Boards of the Companies took account of the following key assumptions on the operations of AB „Lietuvos energija“ and AB Lietuvos elektrinė:
 - 5.10.1. The forecast for the growth in electricity prices and the forecast for the consumption of electricity in Lithuania were based on earlier studies.
 - 5.10.2. The main components of operating costs of AB „Lietuvos energija“ and AB Lietuvos elektrinė were increased from year to year depending on forecast annual inflation rate
 - 5.10.3. The forecasts did not take account of potential cash flows received by AB „Lietuvos energija“ and AB Lietuvos elektrinė from exports of tertiary (cold) power reserving service.
- 5.11. In the forecasts, the Boards of the Companies took account of the following key assumptions on the operations of AB „Lietuvos energija“:
 - 5.11.1. The values of capital of AB „Lietuvos energija“'s subsidiaries and associated companies (except Energijos Tiekimas UAB) were deemed to be not significant for the value of the shares in AB „Lietuvos energija“. The forecasts were made on an assumption that the book value of these companies is close to the market value.
 - 5.11.2. It has been assumed, in the revenue forecasts for AB „Lietuvos energija“, that 100% of the electrical power generated by the Kruonis Hydro Pumped Storage Plant are sold in the market in peak times.
 - 5.11.3. It has been assumed, in the revenue forecasts for AB „Lietuvos energija“, that 100% of the electrical power generated by the Kaunas Hydroelectric Power Plant is sold at market prices.

- 5.11.4. The financial forecasts for AB „Lietuvos energija“ include the capital investments in the construction of hydro unit 5 of the Kruonis Hydro Pumped Storage Plant.
- 5.11.5. It has been assumed, in the revenue forecasts for AB „Lietuvos energija“, that Energijos Tiekimas UAB, a subsidiary of AB „Lietuvos energija“, is in a position to remain a strong player in the retail market for electricity.
- 5.11.6. It has been assumed, in the revenue forecasts for AB „Lietuvos energija“, that the amounts of electricity imported by the Company (excluding the imported electricity used for the charging of the Kruonis Hydro Pumped Storage Plant) are decreasing in the forecast period.
- 5.12. In the forecasts, the Boards of the Companies took account of the following key assumptions on the operations of AB Lietuvos elektrinė:
- 5.12.1. It has been assumed in the forecasts that the generation volumes of AB Lietuvos elektrinė will increase upon putting into operation of Unit 9 at AB Lietuvos elektrinė.
- 5.12.2. The power generation cost at AB Lietuvos elektrinė during the forecast period is deemed to be higher than the electricity sale price in the market. Therefore, it has been assumed that the difference between the power generation cost and the electricity market price will be fully covered by the payments received by AB Lietuvos elektrinė for the provision of the public-interest services.
- 5.12.3. Upon putting into operation Unit 9 of AB Lietuvos elektrinė, the minimum demand for the tertiary (cold) power reserve for the reserving of AB Lietuvos elektrinė's direct power generation sources will increase up to 450 MW. Therefore, in the forecasts for 2012 – 2020, an assumption has been made that two present units of AB Lietuvos elektrinė, 300 MW each, will be reserved.
- 5.12.4. Subsidies received by AB Lietuvos elektrinė have not been included in the assets used for the provision of t AB Lietuvos elektrinė's services whose price ceilings are regulated.
- 5.12.5. Gas price forecasts for 2011 – 2015 are based on information on gas futures published by the European Energy Exchange; the gas price forecasts for 2016 – 2020 are based on long-term prices for oil in Europe and America.
- 5.12.6. The forecasts for the environmental pollution permit (EPP) prices are based on the information on EPP futures published by the European Energy Exchange.
- 5.13. The values of the shares in AB „Lietuvos energija“ and AB Lietuvos elektrinė calculated as described above are LTL 939 071 000 and LTL 432 400 000 respectively.
- 5.14. Significant differences in the values of shares of the Companies have arisen from the evaluation described above. In the opinion of the Boards of the Companies, different values of the shares are determined by the following main reasons:

- 5.14.1. While core operations of AB Lietuvos elektrinė include generation of electrical power and heat energy and supply of power reserve, AB „Lietuvos energija“ is engaged in the generation of power, provision of system services (power reserving, supply of regulation electricity), wholesale and retail trade in electricity, and import and export of electricity. Due to the narrower scope of operations carried out by AB Lietuvos elektrinė, decisions by regulatory bodies governing the Companies' operations would have a stronger impact upon revenues of AB Lietuvos elektrinė.
- 5.14.2. While the cost of power generation at the Kruonis Hydro Pumped Storage Plant and the Kaunas Hydroelectric Power Plant controlled by AB „Lietuvos energija“ is not strongly dependent on the fuel prices, the power generation cost at AB Lietuvos elektrinė is mainly dependent on the prices for raw materials (such as natural gas and fuel oil), whose fluctuations would have a significant effect on revenues of AB Lietuvos elektrinė.
- 5.14.3. Higher leverage levels of AB Lietuvos elektrinė would increase the risk of insolvency of this company. In addition, AB Lietuvos elektrinė incurs higher borrowing costs. This may directly affect revenues received by AB Lietuvos elektrinė and result in a lower value of the shares of AB Lietuvos elektrinė.
- 5.15. AB „Lietuvos energija“ holds 139 292 961 ordinary registered shares in AB Lietuvos elektrinė, which accounts for ~95.54% of the authorised capital of AB Lietuvos elektrinė. Upon inclusion of the value of AB „Lietuvos energija“'s shares referred to in Sub-Clause 6.3.11 of this Report into the value of AB Lietuvos elektrinė's shares held by AB „Lietuvos energija“, the value of the shares in AB „Lietuvos energija“, including AB Lietuvos elektrinė's shares held by AB „Lietuvos energija“, is LTL 1 352 185 960.
- 5.16. As, upon the Reorganization, AB „Lietuvos energija“ will cease its operations as a legal person, the shares in AB Lietuvos elektrinė shares held by AB „Lietuvos energija“ will not be exchanged for the shares in Lietuvos Energija, AB that will continue operations upon the Reorganization, and will be cancelled by de-registration of the Companies. As the shares in AB Lietuvos elektrinė shares held by AB „Lietuvos energija“ form part of the value of AB „Lietuvos energija“ shares held by AB „Lietuvos energija“ shareholders, in order to avoid infringement of interests of such shareholders, the ratio of exchange of the shares of AB „Lietuvos energija“ and AB Lietuvos elektrinė into the shares of Lietuvos Energija, AB set in these Reorganization Terms is such that the shareholders of AB „Lietuvos energija“ will retain the value of the shares held by them in AB „Lietuvos energija“ and the value of AB „Lietuvos energija“ shares in AB Lietuvos elektrinė is preserved upon such exchange.
- 5.17. Having regard to the circumstances referred to in Sub-Clause 5.16, for the purposes of setting the share exchange ratio:
- 5.17.1. the value of all the shares in AB „Lietuvos energija“ being exchanged, i.e. 489 282 926 shares accounting for 100% of the authorised capital of AB „Lietuvos energija“ (including the shares in AB Lietuvos elektrinė held by AB „Lietuvos energija“, i.e. 139 292 961 ordinary registered shares in AB Lietuvos elektrinė

which account for ~95.54% of the authorised capital of AB Lietuvos elektrinė) is LTL 1 352 185 960;

- 5.17.2. value of all the shares in AB Lietuvos elektrinė being exchanged, i.e. 502 711 shares accounting for ~4.46% of the authorised capital of AB Lietuvos elektrinė, is LTL 19 285 040 (for avoidance of doubt, having regard to Sub-Clause 5.16, the rest of AB Lietuvos elektrinė's shares, i. e. 139 292 961 shares accounting for ~95.54% of the authorised capital of AB Lietuvos elektrinė will not be exchanged during the Reorganisation.).
 - 5.17.3. Based on the values stated in Sub-Clauses 5.17.1 and 5.17.2, the ratio of the Companies' shares being exchanged is 98.59 : 1.41.
- 5.18. Having regard to Sub-Clauses 5.17.1 and 5.17.2 of these Reorganization Terms and the ratio between the values of the shares in AB „Lietuvos energija“ and AB Lietuvos elektrinė being exchanged, which is 98.59 : 1.41, the shares in AB „Lietuvos energija“ will be exchanged for the shares in Lietuvos Energija, AB, which will operate upon the Reorganization, at the following ratio: for one share in AB „Lietuvos energija“, 1.28 shares in Lietuvos Energija, AB, will be given, with the rounding-off as follows:
- 5.18.1. if the fraction share of the total number of shares held by a shareholder is 0.5 or larger, then number of shares in Lietuvos Energija, AB received by the shareholder of AB „Lietuvos energija“ upon the Reorganisation will be rounded off to a whole number in the increasing direction;
 - 5.18.2. if the fraction share of the total number of shares held by a shareholder is smaller than 0.5, then the number of shares in Lietuvos Energija, AB received by the shareholder of AB „Lietuvos energija“ upon the Reorganisation will be rounded off to a whole number in the decreasing direction (the difference between the whole number and the fraction will not be compensated for in cash).
- 5.19. Having regard to Sub-Clauses 5.17.1 and 5.17.2 of these Reorganization Terms and the ratio between the values of the shares in AB „Lietuvos energija“ and AB Lietuvos elektrinė being exchanged, which is 98.59 : 1.41, the shares in AB Lietuvos elektrinė will be exchanged for the shares in Lietuvos Energija, AB, which will operate upon the Reorganization, at the following ratio: for one share in AB Lietuvos elektrinė, 1.37 shares in Lietuvos Energija, AB, will be given, with the rounding-off as follows:
- 5.19.1. if the fraction share of the total number of shares held by a shareholder is 0.5 or larger, then the number of shares in Lietuvos Energija, AB received by the shareholder of AB Lietuvos elektrinė upon the Reorganisation will be rounded off to a whole number in the increasing direction;
 - 5.19.2. if the fraction share of the total number of shares held by a shareholder is smaller than 0.5, then the number of shares in Lietuvos Energija, AB received by the shareholder of AB Lietuvos elektrinė upon the Reorganisation will be rounded off to a whole number in the decreasing direction (the difference between the whole number and the fraction will not be compensated for in cash);

- 5.20. Any shareholder of AB „Lietuvos energija“ and/or AB Lietuvos elektrinė who will receive less one share after the rounding off according to the rules referred to Sub-Clauses 5.17, 5.18 and 5.19 of these Reorganization Terms, will receive one share in Lietuvos Energija, AB:
- 5.21. Should it be determined that the number of the shares calculated for the shareholders according to Sub-Clauses 5.17, 5.18 and 5.19 exceeds the authorised capital of Lietuvos Energija, AB, the number of shares will be reduced for the shareholder, who receives the largest number of shares in Lietuvos Energija, AB according to the calculations under Sub-Clauses 5.17, 5.18 and 5.19, by the number of shares equal to the difference between the number of shares calculated for the shareholders under Sub-Clauses 5.17, 5.18 and 5.19 and the number of shares in the authorised capital of Lietuvos Energija, AB, which will operated upon the Reorganization;
- 5.22. Should it be determined that the number of the shares calculated for the shareholders according to Sub-Clauses 5.17, 5.18 and 5.19 is smaller than the authorised capital of Lietuvos Energija, AB, the number of shares will be increased for the shareholder, who receives the largest number of shares in Lietuvos Energija, AB according to the calculations under Sub-Clauses 5.17, 5.18 and 5.19, by the number of shares equal to the difference between the number of shares calculated for the shareholders under Sub-Clauses 5.17, 5.18 and 5.19 and the number of shares in the authorised capital of Lietuvos Energija, AB, which will operated upon the Reorganization

6. PROCEDURE AND TERMS OF ISSUE OF SHARES OF THE NEW COMPANY TO BE ACTIVE AFTER REORGANIZATION

- 6.1. Operators of securities accounts shall make records verifying ownership right of AB „Lietuvos energija“ and AB Lietuvos elektrinė shareholders to Lietuvos energija, AB shares not later than within 2 working days after the Central Securities Depository of Lithuania has opened a securities account for Lietuvos energija, AB.
- 6.2. After operators of securities accounts have made records verifying the ownership right of AB „Lietuvos energija“ and AB Lietuvos elektrinė shareholders to the newly issued shares of Lietuvos energija, AB, the notice of material event will be given to the shareholders informing about the records made.
- 6.3. For at least 5 (five) working days after the general meetings of shareholders of AB „Lietuvos energija“ and AB Lietuvos elektrinė considering the approval of these Reorganization Terms have taken place, trading of AB „Lietuvos energija“ and AB Lietuvos elektrinė shares will not be terminated in order the shareholders of AB „Lietuvos energija“ and AB Lietuvos elektrinė could sell the shares of AB „Lietuvos energija“ and AB Lietuvos elektrinė held by them to other persons at their own discretion.
- 6.4. After the term specified in Section 6.3 expires, but before Lietuvos energija, AB's incorporation documents are submitted to the Registrar of Legal Entities in connection with registration of the newly incorporated company Lietuvos energija, AB, trading in AB „Lietuvos energija“ and AB Lietuvos elektrinė shares on the list of AB NASDAQ

OMX Vilnius Stock Exchange will be terminated and later these shares will be removed from the mentioned lists.

- 6.5. After Reorganization application will be filed with AB NASDAQ OMX Vilnius for inclusion of Lietuvos energija, AB shares into trading on AB NASDAQ OMX Vilnius Stock Exchange. For avoidance of any doubt, shareholders of AB „Lietuvos energija“ and AB Lietuvos elektrinė, as the future shareholders of Lietuvos energija, AB, upon approval of these Reorganization Terms shall transfer all rights and authorizations to the board of Lietuvos energija, AB to adopt the necessary decisions and file applications for listing Lietuvos energija, AB shares into trading on AB NASDAQ OMX Vilnius Stock Exchange, in accordance with procedures laid down in legal acts. No additional decision of Lietuvos energija, AB shareholders will be required in respect of listing of Lietuvos energija, AB shares on AB NASDAQ OMX Vilnius Stock Exchange.

7. PROCEDURE AND TERMS OF TAKEOVER OF THE REORGANIZED COMPANIES' ASSETS, RIGHTS AND OBLIGATIONS

- 7.1. Deregistration of AB „Lietuvos energija“ and AB Lietuvos elektrinė from the Register of Legal Entities of the Republic of Lithuania as a result of Reorganisation will also lead to the deregistration of Kruonis Pumped Storage Plant (a branch of AB Lietuvos energija) and Kaunas Hydroelectric Plant (a branch of AB Lietuvos energija) from the Register of Legal Entities of the Republic of Lithuania following the procedure established by the law, which will cease to exist as structural subdivisions of AB „Lietuvos energija“ with the special status of a branch. Meanwhile, Kruonis Pumped Storage Plant and Kaunas Hydroelectric Plant will be transferred to Lietuvos energija, AB, according to the procedure established by the Terms of Reorganisation and will continue the activities of Kruonis Pumped Storage Plant (a branch of AB Lietuvos energija) and Kaunas Hydroelectric Plant (a branch of AB Lietuvos energija) as integrated subdivisions of Lietuvos energija, AB.
- 7.2. Lietuvos energija, AB, the company to be active after Reorganization, will take over all long-term and current assets of AB „Lietuvos energija“ (including the branch of AB “Lietuvos energija” Kruonio HAE and the branch of AB “Lietuvos energija” Kauno hidroelektrinė) and AB Lietuvos elektrinė, as well as long-term and current financial and other liabilities, amounts receivable and amounts payable under agreements concluded by AB „Lietuvos energija“ and AB Lietuvos elektrinė, or obligations arising on any other grounds. Lietuvos energija, AB will also take over all other assets, rights and obligations of AB „Lietuvos energija“ (including the branch of AB “Lietuvos energija” Kruonio HAE and the branch of AB “Lietuvos energija” Kauno hidroelektrinė) and AB Lietuvos elektrinė under transactions and obligations arising on any other grounds (including the rights and obligations under collective agreements and employment contracts concluded, funds of AB „Lietuvos energija“ (including the branch of AB “Lietuvos energija” Kruonio HAE and the branch of AB “Lietuvos energija” Kauno hidroelektrinė) and AB Lietuvos elektrinė in bank accounts, agreements with consumers, electricity generators, independent suppliers and providers of goods, services and/or works), as well as rights and obligations arising from other documents concluded by AB „Lietuvos energija“ (including the branch of AB “Lietuvos energija” Kruonio HAE and the branch of AB “Lietuvos energija” Kauno

hidroelektrinė) and AB Lietuvos elektrinė (technical conditions, design conditions, etc.), also rights and obligations arising from applications that AB „Lietuvos energija“ (including the branch of AB “Lietuvos energija” Kruonio HAE and the branch of AB “Lietuvos energija” Kauno hidroelektrinė) and AB Lietuvos elektrinė had submitted to institutions and (or) associations for granting the protection for trademarks, and (or) names of the legal entities and (or) for registering the rights to the trademarks, other means of intellectual property and industrial design, except for the rights and obligations of AB „Lietuvos energija“ (including the branch of AB “Lietuvos energija” Kruonio HAE and the branch of AB “Lietuvos energija” Kauno hidroelektrinė) and AB Lietuvos elektrinė which pursuant to imperative provisions of law of the Republic of Lithuania are prohibited or may not be assigned to other person during reorganization. Lietuvos energija, AB will also take over all the rights to the licences, permits and certificates used by AB „Lietuvos energija“ (including the branch of AB “Lietuvos energija” Kruonio HAE and the branch of AB “Lietuvos energija” Kauno hidroelektrinė) and AB Lietuvos elektrinė, if legal acts provide for the possibility of such assignment of rights (hereinafter the abovementioned assets, rights and obligations that are taken over by Lietuvos energija, AB are referred to as the **“Transferred assets, rights and obligations”**).

- 7.3. Lietuvos energija, AB will take over all the Transferred assets, rights and obligations (especially, with regard to consumers) and all the transactions of AB „Lietuvos energija“ (including the branch of AB “Lietuvos energija” Kruonio HAE and the branch of AB “Lietuvos energija” Kauno hidroelektrinė) and AB Lietuvos elektrinė will be included in the accounting of Lietuvos energija, AB on a certain day until the moment when the licences granting Lietuvos energija, AB the right to carry out electricity production activity (the **“Licences and permissions”**) are issued and become effective (the **“Date of Transfer”**) Lietuvos energija, AB. Accordingly, as of this moment Transferred assets, rights and obligations will be considered as those of Lietuvos energija, AB, including the rights and obligations under employment contracts. In addition, as of the moment of registration of Lietuvos energija, AB, on the basis of these Reorganization Terms Lietuvos energija, AB shall be granted a right to use all the assets and enjoy all the rights, financial, managerial and technological capabilities and other resources of AB „Lietuvos energija“ (including the branch of AB “Lietuvos energija” Kruonio HAE and the branch of AB “Lietuvos energija” Kauno hidroelektrinė) and AB Lietuvos elektrinė (including human resources) free of charge to the extent that it is necessary for acquisition of the Licences and permissions and any other authorizations, certificates, licences as required for the activities of Lietuvos energija, AB, their coming into effect, and fulfilment of the related obligations and compliance with the related requirements laid down in legal acts; as well as, for uninterrupted and high-quality provision services to consumers.
- 7.4. After the Date of Transfer, on the basis of these Reorganization Terms, AB „Lietuvos energija“ (including the branch of AB “Lietuvos energija” Kruonio HAE and the branch of AB “Lietuvos energija” Kauno hidroelektrinė) and AB Lietuvos elektrinė shall be granted the right to use all the assets and enjoy the rights financial, managerial and technological capabilities and other resources of Lietuvos energija, AB (including human resources) free of charge to the extent that it is necessary for fulfilment of the obligations and compliance with the requirements laid down in legal acts in connection

with the Licences and permissions, as well as, for uninterrupted and high-quality provision of services to consumers.

- 7.5. In order to ensure the continuity and stability of the activities of AB “Lietuvos energija” and AB Lietuvos elektrinė, prior to date of Transfer all transactions with the third party and other legally binding actions related to the activities of AB „Lietuvos energija“(including activities of Kruonis Pumped Storage Plant (a branch of AB Lietuvos energija) and Kaunas Hydroelectric Plant (a branch of AB Lietuvos energija)) and AB Lietuvos elektrinė shall be concluded and performed on behalf of AB „Lietuvos energija“ and AB Lietuvos elektrinė, unless a particular situation requires otherwise, and later transferred to Lietuvos energija, AB, together with the transferred assets, rights and obligations.
- 7.6. Lietuvos energija, AB, after its registration with the Register of Legal Entities, will apply immediately for issue of the Licences under procedure established by legal acts. When the date of entry of Licences into effect becomes known, as at the Date of Transfer (i.e. on a certain day until the date of entry of Licences into effect) separate deeds of transfer and acceptance of AB „Lietuvos energija“ and AB Lietuvos elektrinė assets, rights and obligations (including the rights and obligations under employment contracts) will be signed between Lietuvos energija, AB and AB „Lietuvos energija“ , and Lietuvos energija, AB and AB Lietuvos elektrinė. The mentioned deeds of transfer and acceptance as well as these Reorganization Terms shall be a legal basis for Lietuvos energija, AB, entered into the Register of Legal Entities, to take over the Transferred assets, rights and obligations, and register the Transferred assets, rights and obligations with the Real Estate Register or any other institutions or organisations in case Lietuvos energija, AB’s title to the Transferred assets, rights and obligations should be recorded in particular registers or other documents.
- 7.7. While Lietuvos energija, AB seeks to obtain the Licences and any other authorisations, certificates, licences and other permits required for the activities and to ensure uninterrupted supply of electricity, the situation may occur when certain assets, rights and obligations of AB „Lietuvos energija“(including the branch of AB “Lietuvos energija” Kruonio HAE and the branch of AB “Lietuvos energija” Kauno hidroelektinė) and/or AB Lietuvos elektrinė will have to be transferred to Lietuvos energija, AB later than any other assets, rights and obligations. In such event, specific deeds of transfer and acceptance of assets, rights and obligations will be executed defining the peculiarities of transfer of specific assets, rights and obligations.
- 7.8. If the transfer of the respective rights and obligations according to the transactions or of other rights and obligations requires the approval/consents of other counterparties to such transactions or public or municipal authorities, the Companies before the completion of the Reorganisation shall make all reasonable effort to obtain such approval/consents. If such approval/consents are not received by the date of Transfer, the Companies shall make all reasonable effort that instead of the rights and obligations that it cannot acquire Lietuvos energija AB would acquire rights and obligations as close by their content and financial effect as possible (e.g. would enter into a new transaction establishing similar rights and obligations, or would obtain a respective consent or licence).

- 7.9. Lietuvos energija, AB, the company to be active after Reorganization, shall be granted the right to manage, use and dispose of funds in AB „Lietuvos energija“(including the branch of AB “Lietuvos energija” Kruonio HAE and the branch of AB “Lietuvos energija” Kauno hidroelektarinė) and AB Lietuvos elektrinė bank accounts and their the bank accounts, or, otherwise, these accounts shall be closed and their funds shall be transferred to the bank accounts of Lietuvos energija, AB.
- 7.10. In the course of transformation of companies operating in the electric power sector of the Republic of Lithuania, it is planned to refuse some assets or functions that are not related to the main activities of AB „Lietuvos energija“ and AB Lietuvos elektrinė, namely to spin-off or refuse the function of servicing the production devices. Due to the mentioned spin-off or refusal of assets and functions, AB „Lietuvos energija“ and AB Lietuvos elektrinė may transfer or refuse some assets, rights and obligations held during preparation of these Reorganisation Terms. If the said changes in activities of AB „Lietuvos energija“ and/or AB Lietuvos elektrinė occur before adoption of the decision of shareholders to reorganise AB „Lietuvos energija“ and AB Lietuvos elektrinė and to approve the Reorganisation Terms, and such changes are deemed material changes of assets, rights and obligations of AB „Lietuvos energija“ and/or AB Lietuvos elektrinė, the managers of AB „Lietuvos energija“ and AB Lietuvos elektrinė will draft and deliver the notices stipulated in Article 65(4) of the Law on Companies of the Republic of Lithuania.

8. RIGHTS GRANTED TO SHAREHOLDERS IN THE NEW COMPANY TO BE ACTIVE AFTER REORGANIZATION

- 8.1. Having merged AB „Lietuvos energija“ and AB Lietuvos elektrinė into a new company Lietuvos energija, AB, shareholders of AB „Lietuvos energija“ and AB Lietuvos elektrinė will be granted the property and non-property rights of shareholders conferred by ordinary registered shares of Lietuvos energija, AB in accordance with Law on Companies of the Republic of Lithuania, other normative legal acts of the Republic of Lithuania and the articles of association of Lietuvos energija, AB, the company to be active after reorganization. Lietuvos energija, AB has no intentions of issuing shares of other classes, debentures or other securities during the period of Reorganization. Taxes on the income related to the shares of Lietuvos energija, AB are withheld in accordance to legal requirements of the Republic of Lithuania.
- 8.2. Shareholders of AB „Lietuvos energija“ and AB Lietuvos elektrinė, which will cease their existence after Reorganization, shall be unconditionally entitled to a particular share of profit as of the moment when operators of securities accounts make records verifying AB „Lietuvos energija“ and AB Lietuvos elektrinė shareholders' ownership right to the shares of Lietuvos energija, AB.

9. RIGHTS GRANTED TO MEMBERS OF THE COMPANIES' BODIES AND EXPERTS ASSESSING REORGANIZATION TERMS DURING THE REORGANIZATION. EXPIRY OF POWERS OF MEMBERS OF BODIES OF THE REORGANIZED COMPANIES. STRUCTURE OF BODIES OF THE COMPANY TO BE ACTIVE AFTER REORGANIZATION

- 9.1. During Reorganization, the boards and managing directors AB “Lietuvos energija” and AB Lietuvos elektrinė, as well as experts carrying out the assessment of the Reorganization Terms, shall have all the rights granted to them under laws of the Republic of Lithuania, contracts entered into and the articles of association of the Companies.
- 9.2. Managing directors of AB „Lietuvos energija“ and AB Lietuvos elektrinė as well as the managing director of Lietuvos energija, AB, once he is appointed (acting either jointly or individually) shall be vested with powers to act on behalf of Lietuvos energija, AB, until its registration with the Register of Legal Entities of the Republic of Lithuania: to submit the Terms of Reorganisation as well as other required information and documents to the notary, the Register of Legal Entities of the Republic of Lithuania, the Securities Commission and other entities, to handle all issues related to the registration of Lietuvos energija, AB, the transfer of assets, conclusion and/or amendment of contracts, to convene the general meeting of shareholders of Lietuvos energija, AB, and to perform other deeds related to the organisation of such general meeting of shareholders, to submit application regarding the listing of shares of Lietuvos energija, AB, in AB NASDAQ OMX Vilnius, and to perform other deeds and sign all documents required for the implementation of the Reorganisation and the Terms of Reorganisation and for the incorporation of Lietuvos energija, AB.
- 9.3. No separate authorisations to perform the abovementioned actions on the name of Lietuvos energija, AB prior to its registration at Register of Legal Entities of the Republic of Lithuania will be issued to AB “Lietuvos energija” and AB Lietuvos elektrinė managers and newly appointed manager of Lietuvos energija, AB. The managers of RST and VST shall have the right to transfer their powers to perform the aforementioned actions to full extent to other persons.
- 9.4. Powers of the board and managing directors of AB „Lietuvos energija“ and AB Lietuvos elektrinė and powers of the managing directors of the branches of AB “Lietuvos energija” Kauno hidorelektinė and Kruonio HAE shall expire upon removal of AB „Lietuvos energija, AB Lietuvos elektrinė and branches of AB “Lietuvos energija” Kruonio HAE and Kauno hidroelektinė from the Register of Legal Entities of the Republic of Lithuania under procedure prescribed by laws of the Republic of Lithuania.
- 9.5. The bodies of the new company Lietuvos energija, AB will be the general meeting of shareholders, collegiate managing body – the board consisting of 5 members to be elected for a 4-year term, and a one-person managing body – managing director, whose competence is defined in legal acts of the Republic of Lithuania and Lietuvos energija, AB’s articles of association. The members of the board of Lietuvos energija, AB will be elected at the meeting of the shareholders of Lietuvos energija, AB. The managing director of Lietuvos energija, AB will be appointed in the meeting of the board of Lietuvos energija, AB, which shall take part before registration of Lietuvos energija, AB at the Register of Legal Entities of the Republic of Lithuania.

10. FINAL PROVISIONS

- 10.1. These Reorganization Terms shall be assessed by the audit company „ERNST & YOUNG BALTIC“ (code of legal entity 110878442, registered office at Subačiaus st. 7, LT-01127 Vilnius, number of audit licence 00133) ,which will prepare the report on assessment of the Reorganization Terms in accordance with the procedure prescribed by laws of Republic of Lithuania. In order the Reorganization Terms could be assessed by the audit company common for both Companies, the Companies have obtained a respective approval from the Register of Legal Entities of the Republic of Lithuania the copy of which is attached as Annex No. 4 to the Reorganization Terms.
- 10.2. The boards of the Companies shall prepare extensive written reports on the prospective Reorganization in accordance with the procedure prescribed by the Law on Companies of Republic of Lithuania.
- 10.3. The Reorganization Terms along with the report on assessment of the Reorganization Terms prepared by the audit company „ERNST & YOUNG BALTIC“ and the reports on the prospective Reorganization prepared by the boards of the Companies shall be submitted to the Register of Legal Entities of the Republic of Lithuania.
- 10.4. Shareholders of the Companies shall approve the articles of association of Lietuvos energija, AB which will be submitted to the Register of Legal Entities of the Republic of Lithuania together with other incorporation documents of Lietuvos energija, AB.
- 10.5. Notice about execution of the Reorganization Terms shall be given in the e-publication of the Register of Legal Entities published for public announcements, and, subject to the procedure for announcement of information one time and written notice to all creditors of the Companies.

Annexes to the Reorganization Terms:

1. Decision of general meeting of shareholders of AB „Lietuvos energija“ regarding approval of the execution of the Reorganization Terms.
2. Decision of general meeting of shareholders of AB Lietuvos elektrinė regarding approval of the execution of the Reorganization Terms.
3. The table on calculation of the shares conversion rate.
4. Approval from the Register of Legal Entities of the Republic of Lithuania regarding the performance of assessment of the Reorganization Terms by the audit company common for both Companies.
5. Draft articles of association of Lietuvos energija, AB.

ANNEX 1

Decision of general meeting of shareholders of AB „Lietuvos energija“ regarding approval of the execution of the Reorganization Terms

[SEE ATTACHED]



LIETUVOS ENERGIJA

A K C I N Ė B E N D R O V Ė L I E T U V O S E N E R G I J A

MINUTES OF THE EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS

19 January 2011
Vilnius

The meeting was held on 19 January 2011 at 10 a.m. in the Grand Hall (Room 33) of *LIETUVOS ENERGIJA* Public Limited Liability Company, Elektrinės g. 21, LT-26108 Elektrėnai.

The authorised capital of the Company is LTL 489,282,926, which is divided into 489,282,926 ordinary registered shares with the par value of LTL 1 each. One ordinary registered share confers one vote.

The following employees of the Company participated in the extraordinary general meeting of shareholders of *LIETUVOS ENERGIJA* Public Limited Liability Company (hereinafter referred to as the Meeting):

Aloyzas Koryzna, Director General;
Linas Vinciūnas, Head of the Legal Department;
Augustinas Razumas, lawyer of the Legal Department;
Kęstutis Ubara, lawyer of the Legal Department;
Andrius Zaveckas, lawyer of the Legal Department.

Shareholders of the Company or their authorised representatives: the list of participating shareholders of their authorised representatives is hereby enclosed as Annex 1.

Number of votes of participating shareholders: 477,105,867 votes from the total of 489,282,926 votes (97.51% of all the votes conferred at the general meeting of shareholders of the Company). The following shareholders have voted in advance in writing: UAB *Visagino atominė elektrinė*, State Street Bank and Trust and Swedbank AS (Estonia) clients; therefore, their votes shall be included into the quorum and the voting results of the Meeting.

II. CONSIDERATION OF AGENDA ISSUES OF THE MEETING

The chairman of the Meeting proposed to start the consideration of the agenda issues and announced the agenda of the Meeting, which conforms to the published agenda:

1. Regarding the preparation of the terms of reorganisation of *LIETUVOS ENERGIJA* Public Limited Liability Company and *LIETUVOS ELEKTRINĖ* Public Limited Liability Company.

1. CONSIDERED: Regarding the preparation of the terms of reorganisation of LIETUVOS ENERGIJA Public Limited Liability Company and LIETUVOS ELEKTRINĖ Public Limited Liability Company.

The chairman of the Meeting announced that information on the issue shall be presented by Director General of AB *Lietuvos energija* Aloyzas Koryzna. Aloyzas Koryzna presented information to the participating shareholders about the intended reorganisation of AB *Lietuvos elektrinė* and AB *Lietuvos energija*.

A shareholder participating in the Meeting asked about the way of reorganisation as well as the ratio of the value of shares of both companies. Director General of AB *Lietuvos energija* Aloyzas Koryzna explained that the prepared terms of reorganisation shall be published and submitted to the shareholders of the Company for approval.

The chairman of the Meeting announced the proposed draft resolution on this issue:

“To authorise the Board of Lietuvos energija Public Limited Liability Company in cooperation with the Board of Lietuvos elektrinė Public Limited Liability Company (a public limited liability company incorporated under the laws of the Republic of Lithuania, with its registered office at Elektrinės g. 21, Elektrėnai, Republic of Lithuania, legal entity code 110870933, registered with the Register of Legal Entities of the Republic of Lithuania) to prepare the terms of reorganisation of Lietuvos energija Public Limited Liability Company and Lietuvos elektrinė Public Limited Liability Company by merger (Article 2.97(2) of the Civil Code of the Republic of Lithuania).”

The chairman of the Meeting asked whether shareholders whose shares carried at least 1/20 of the votes had any other alternative draft resolutions regarding this issue on the agenda. Shareholders participating in the Meeting did not submit any other proposals on alternative draft resolutions regarding this issue on the agenda.

The chairman of the Meeting proposed to vote.

Results of the voting for the draft resolution:

477,097,613 votes “for” (99.99 % of all participating votes conferred by the shares of the Company);

8,254 votes “against” (0,01% of all participating votes conferred by the shares of the Company).

1. RESOLVED:

“To authorise the Board of Lietuvos energija Public Limited Liability Company in cooperation with the Board of Lietuvos elektrinė Public Limited Liability Company (a public limited liability company incorporated under the laws of the Republic of Lithuania, with its registered office at Elektrinės g. 21, Elektrėnai, Republic of Lithuania, legal entity code 110870933, registered with the Register of Legal Entities of the Republic of Lithuania) to prepare the terms of reorganisation of Lietuvos energija Public Limited Liability Company and Lietuvos elektrinė Public Limited Liability Company by merger (Article 2.97(2) of the Civil Code of the Republic of Lithuania).”

III. CLOSING OF THE MEETING

The chairman of the Meeting explained that the minutes of the Meeting shall be drawn up and signed within 7 days from the date of the general meeting of shareholders. All persons who attended the Meeting shall be entitled to have access to the minutes and submit their

comments or opinion in writing on the facts presented in the minutes and the drawing up thereof within 3 days from the moment of access but not later than within 10 days from the date of the Meeting.

The Meeting was declared closed at 10:30 a.m.

Chairman of the Meeting

Linas Vinciūnas

AFFIRMED:

Managing director of

Public Company "LIETUVOS ENERGIJA Dalius Misiūnas

ANNEX 2

Decision of general meeting of shareholders of AB Lietuvos elektrinė regarding approval of the execution of the Reorganization Terms

[SEE ATTACHED]

AKCINĖ BENDROVĖ



LIETUVOS ELEKTRINĖ

e.c. 110870933, address of registered office is Elektrinės st. 21, LT-26108 Elektrėnai

Extraordinary general meeting of shareholders

MINUTES OF THE MEETING

Nineteenth of January Year Two Thousand Eleven
Elektrėnai

The meeting was held on 19 January 2011 at 09 a.m. in the Grand Hall (Room 33) of *LIETUVOS ELEKTRINĖ* Public Limited Liability Company, Elektrinės g. 21, LT-26108 Elektrėnai.

The extraordinary meeting of the shareholders of the *LIETUVOS ELEKTRINĖ* Public Limited Liability Company was called by the decision of the Board of the Company on 23rd December 2010. The Meeting was announced on 29 December 2010 in e-publication Nos. 2010-363, 2010 of the Register of Legal Entities.

The authorised capital of the *LIETUVOS ELEKTRINĖ* Public Limited Liability Company is LTL 142,800,689 (one hundred and forty five million eight hundred thousand six hundred eighty nine litas) which is divided into 142,800,689 (one hundred and forty five million eight hundred thousand six hundred eighty nine) ordinary registered shares with the par value of LTL 1 each.

The following persons participated in the extraordinary general meeting of shareholders (hereinafter referred to as the Meeting) of *LIETUVOS ELEKTRINĖ* Public Limited Liability Company (hereinafter referred to as the Company):

Vidas Jocys, temporarily acting Director General of AB “*Lietuvos elektrinė*”, Aloyzas Koryzna, member of the Board of AB “*Lietuvos elektrinė*”, Linas Vinciūnas, Head of the Legal Department of AB “*Lietuvos energija*”, Andrius Zaveckas, lawyer of AB “*Lietuvos energija*”, Augustinas Razumas, lawyer of AB “*Lietuvos energija*”, Kęstutis Ubara, lawyer of AB “*Lietuvos energija*”.

Shareholders of the Company or their authorised representatives: the list of participating shareholders of their authorised representatives is hereby enclosed as Annex 1.

Number of votes of participating shareholders: the counting commission has announced data that the shareholders who own 139,296,626 votes from the total of 145,800,689 votes (95.54% of all the votes conferred at the general meeting of shareholders of the Company) has attended the Meeting. The following shareholders have voted in advance in writing: AB “*Lietuvos energija*”; therefore, their votes shall be included into the quorum and the voting results of the Meeting (The general ballot paper is annexed as annex No. 2). Thus, shareholders participating in the Meeting, including shareholders who voted in writing,

represent 95.54% of all the shares. The quorum of the Meeting is present; therefore, the Meeting can commence.

I. ORGANISATIONAL ISSUES OF THE MEETING

The Meeting was opened by, acting temporarily Director General Vidas Jocys. Vidas Jocys thanked shareholders for their participation.

1. Election of the chairman of the Meeting.

Aloyzas Koryzna explained that the law provides for the election of the chairman of the meeting. The election of the chairman of the Meeting shall be performed by giving votes conferred by shares.

Linas Vinciūnas was nominated the chairman of the Meeting. Vidas Jocys asked whether there were other nominations. There were no other nominations; therefore, Vidas Jocys proposed to vote on the nomination of Linas Vinciūnas as the chairman of the Meeting.

Results of the voting:

139,296,626 votes “for” (100% of all participating votes conferred by the shares of the Company);

0 votes “against” (0% of all participating votes conferred by the shares of the Company).

1. RESOLVED: To elect the Head of the Legal Department Linas Vinciūnas as the chairman of the Meeting.

The elected chairman of the Meeting Linas Vinciūnas proceeded to preside over the Meeting.

2. Procedural issues of the Meeting

The chairman of the Meeting proposed to elect the vote count commission, its chairman, also the secretary and the inspector of the Meeting, and to approve the rules of procedure of the Meeting by voting for all procedural issues of the meeting in one vote.

Election of the vote count commission, its chairman, the secretary and the inspector of the Meeting

The chairman of the Meeting announced the nominated vote count commission, its chairman, the secretary and the inspector of the Meeting:

Augustinas Razumas – the chairman of the vote count commission;

Kęstutis Ubara – a member of the vote counting commission;

Andrius Zaveckas – the secretary of the Meeting;

the functions of the inspector of the Meeting shall be performed by the chairman of the vote count commission.

Approval of the rules of procedure of the Meeting

The chairman of the Meeting announced the proposed rules of procedure of the Meeting:

1. *The agenda of the Meeting shall conform to the agenda announced on 29*

2. *Agenda issues of the Meeting shall be discussed and voted on according to the order*

of priority stated in the agenda.

3. No time limit shall be imposed on the presenters of the agenda issues. A 15-minute question and answer session shall be provided for each issue on the agenda. A 3-minute time limit shall be imposed on each person participating in the discussion; the total of 15 minutes shall be awarded for all the speakers.

4. Alternative draft resolutions, if any, proposed by shareholders must either be submitted in writing to the secretary of the Meeting or provided verbally with the secretary of the Meeting entering them into the minutes of the Meeting.

5. Voting on all issues of the Meeting shall be by open ballot. Voting on agenda issues of the Meeting shall be carried out by voting cards distributed by the vote count commission. Secret voting shall be mandatory to all shareholders on the issues on which at least one shareholder requests a secret vote be taken, provided that he is supported by shareholders whose shares carry at least 1/10 of the votes at this Meeting.

The chairman of the Meeting asked whether all persons participating in the Meeting approved of the nominated vote count commission, its chairman, the secretary and the inspector of the Meeting, the proposed agenda of the Meeting and the proposed rules of the procedure of the Meeting, and asked whether there were any other proposals. As there were no objections or other proposals, the chairman of the Meeting proposed to vote.

Results of the voting for the draft resolution:

139,296,626 votes “for” (100% of all participating votes conferred by the shares of the Company); 0 votes “against” (0% of all participating votes conferred by the shares of the Company).

2. RESOLVED:

2.1. To approve the composition of the vote count commission, the secretary and the inspector of the Meeting:

Augustinas Razumas – the chairman of the vote count commission;

Kęstutis Ubara – a member of the vote counting commission;

Andrius Zaveckas – the secretary of the Meeting;

the functions of the inspector of the Meeting shall be performed by the chairman of the vote count commission.

2.2. To approve the following rules of procedure of the Meeting:

1. The agenda of the Meeting shall conform to the agenda announced on 29 December 2010.

2. Agenda issues of the Meeting shall be discussed and voted on according to the order of priority stated in the agenda;

3. No time limit shall be imposed on the presenters of the agenda issues. A 15-minute question and answer session shall be provided for each issue on the agenda. A 3-minute time limit shall be imposed on each person participating in the discussion; the total of 15 minutes shall be awarded for all the speakers;

4. Alternative draft resolutions, if any, proposed by shareholders must either be submitted in writing to the secretary of the Meeting or provided verbally with the secretary of the Meeting entering them into the minutes of the Meeting;

5. Voting on all issues of the Meeting shall be by open ballot. Voting on agenda issues of the Meeting shall be carried out by voting cards distributed by the vote count commission. Secret voting shall be mandatory to all shareholders on the issues on which at least one shareholder requests a secret vote be taken,

provided that he is supported by shareholders whose shares carry at least 1/10 of the votes at this Meeting.

II. CONSIDERATION OF AGENDA ISSUES OF THE MEETING

The chairman of the Meeting proposed to start the consideration of the agenda issues and announced the agenda of the Meeting, which conforms to the published agenda:

2. Regarding the preparation of the terms of reorganisation of LIETUVOS ENERGIJA Public Limited Liability Company and LIETUVOS ELEKTRINĖ Public Limited Liability Company.

1. CONSIDERED: Regarding the preparation of the terms of reorganisation of LIETUVOS ENERGIJA Public Limited Liability Company and LIETUVOS ELEKTRINĖ Public Limited Liability Company.

The chairman of the Meeting announced that information on the issue shall be presented by the member of the Board Aloyzas Koryzna. Aloyzas Koryzna presented information to the participating shareholders about the intended reorganisation of AB *Lietuvos elektrinė* and AB *Lietuvos energija*.

A shareholder participating in the Meeting Edmundas Vėželis asked about the value of shares of AB *Lietuvos elektrinė*.

Aloyzas Koryzna explained that the value of the shares of AB *Lietuvos elektrinė* and AB *Lietuvos energija* will be evaluated by independent estimator and prepared terms of reorganisation shall be published and submitted to the shareholders of the Company for approval at the meeting of the shareholders. All this information will be made available for the shareholders and they will take the decision on approval of the terms of reorganization by voting at the meeting of the shareholders.

As no more questions or commentaries were addressed by the participants of the Meeting, the chairman of the Meeting announced the proposed draft resolution on this issue:

“To authorise the Board of Lietuvos elektrinė Public Limited Liability Company in cooperation with the Board of Lietuvos energija Public Limited Liability Company (a public limited liability company incorporated under the laws of the Republic of Lithuania, with its registered office at Elektrinės g. 21, Elektrėnai, Republic of Lithuania, legal entity code 220551550, registered with the Register of Legal Entities of the Republic of Lithuania) to prepare the terms of reorganisation of Lietuvos elektrinė Public Limited Liability Company and Lietuvos energija Public Limited Liability Company by merger (Article 2.97(2) of the Civil Code of the Republic of Lithuania).”

The chairman of the Meeting asked whether shareholders whose shares carried at least 1/20 of the votes had any other alternative draft resolutions regarding this issue on the agenda. Shareholders participating in the Meeting did not submit any other proposals on alternative draft resolutions regarding this issue on the agenda.

The chairman of the Meeting proposed to vote.

Results of the voting for the draft resolution:

139 292 961 votes “for” (99.99 % of all participating votes conferred by the shares of the Company);

3,254 votes “against” (0,0025% of all participating votes conferred by the shares of the Company).

1. RESOLVED:

“To authorise the Board of Lietuvos elektrinė Public Limited Liability Company in cooperation with the Board of Lietuvos energija Public Limited Liability Company (a public limited liability company incorporated under the laws of the Republic of Lithuania, with its registered office at Elektrinės g. 21, Elektrėnai, Republic of Lithuania, legal entity code 220551550, registered with the Register of Legal Entities of the Republic of Lithuania) to prepare the terms of reorganisation of Lietuvos elektrinė Public Limited Liability Company and Lietuvos energija Public Limited Liability Company by merger (Article 2.97(2) of the Civil Code of the Republic of Lithuania).”

III. CLOSING OF THE MEETING

The chairman of the Meeting explained that the minutes of the Meeting shall be drawn up and signed within 7 days from the date of the general meeting of shareholders. All persons who attended the Meeting shall be entitled to have access to the minutes and submit their comments or opinion in writing on the facts presented in the minutes and the drawing up thereof within 3 days from the moment of access but not later than within 10 days from the date of the Meeting.

The Meeting was declared closed at 09:30 a.m.

ANNEXES.

1. The registration list of shareholders participating in the Meeting (1 page).
2. The general ballot paper submitted by shareholder AB “Lietuvos energija” on 13 01 2011 (2 pages);
3. Notice on the convocation of the general meeting of shareholders announced on 29 December 2010 in e-publication Nos. 2010-363, of the Register of Legal Entities.
4. The documents and the booklet of the extraordinary meeting of shareholders (3 pages).

The Minutes were signed on 19 01 2011

Chairman of the Meeting

Linas Vinciūnas

Secretary of the Meeting

Andrius Zaveckas

ANNEX 3

The table on calculation of the shares conversion rate

<u>Substantiation of the shares conversion rate</u>		
All shares of AB „Lietuvos energija“ and AB Lietuvos elektrinė	Count of shares	Amount, all shares, LTL
AB „Lietuvos energija“	489 282 926	939 071 000
AB Lietuvos elektrinė	145 800 689	432 400 000
Lietuvos energija, AB amount of all shares	635 083 615	1 371 471 000
Shares of AB „Lietuvos energija“ being exchanged	489 282 926	939 071 000
Shares of AB Lietuvos elektrinė being exchanged	6 502 711	19 285 040
Ratio of the shares of AB „Lietuvos energija“ being exchanged and shares of AB Lietuvos elektrinė being exchanged	98,59:1,41	
Shares of AB „Lietuvos energija“ not being exchanged	-	-
Shares of AB Lietuvos elektrinė not being exchanged	139 297 978	413 114 960
Part of the authorized capital of Lietuvos energija, AB assigned for the shares of AB „Lietuvos energija“ not being exchanged and the Shares of AB Lietuvos elektrinė not being exchanged	626 153 340	1 352 185 960
Part of the authorized capital of Lietuvos energija, AB assigned for the shares of AB Lietuvos elektrinė being exchanged	8 930 275	19 285 040
Ratio of the shares of AB „Lietuvos energija“ being exchanged to the shares of Lietuvos energija, AB	1:1,28	
Ratio of the shares of AB Lietuvos elektrinė being exchanged to the shares of Lietuvos energija, AB		1:1,37

ANNEX 4

Approval from the Register of Legal Entities of the Republic of Lithuania regarding the performance of assessment of the Reorganization Terms by the audit company common for both Companies

[SEE ATTACHED]

STATE ENTERPRISE CENTRE OF REGISTERS

State enterprise, V. Kudirkos g. 18, LT-03105 Vilnius-9, tel. (8 5) 268 8202, fax. (8 5) 268 8311, e-mail info@registrucentras.lt
Data collected and kept with the Register of Legal Entities, code 124110246

Att.: Dalius Misiūnas
Managing director
of the public company “Lietuvos energija”
Elektrėnai district, Elektrėnai, Elektrinės st. 21

04-04-2011 No. (1.11.9.)s-1317
Ref. 30-03-2011 No. SD-727

RE: CONSENT TO APPOINTMENT OF COMMON EXPERT

The state enterprise Centre of Registers has examined the application of the companies “Lietuvos energija” (code 220551550) and Lietuvos elektrinė (code 110870933) for giving consent to the appointment of a common expert for assessment of their reorganization terms. All the information and documents required for adoption of a positive decision have been submitted.

Conforming to paragraph 2 of Article 2.100 of the Civil Code of the Republic of Lithuania and paragraph 2 of Article 63 of the Law on Companies of the Republic of Lithuania, we consent to the appointment of a common expert – audit company UAB “Ernst&Young Baltic” (code 11087442) and auditors practising at this company Ramūnas Bartašius (auditor’s certificate No. 000362) and Asta Štreimikienė (auditor’s certificate No. 000382) – for assessment of the reorganization terms of the public company “Lietuvos energija” (code 220551550) and Lietuvos elektrinė (code 110870933).

Deputy Director
For the Register of Legal Entities and Marketing /signature/ Antanas Survila

P. Jankeliūnas, (8 5) 268 8384 e-mail. Petras.Jankeliūnas@registrucentras.lt

ANNEX 5

Draft articles of association of Lietuvos energija, AB

[SEE ATTACHED]

LIETUVOS ENERGIJA, AB
ARTICLES OF ASSOCIATION

I. General part

1. The name of the company is Lietuvos energija, AB (the “Company”).
2. The Company is an independent private legal entity with limited civil liability organised and existing under the laws of the Republic of Lithuania for an indefinite period of time. The authorised capital of the Company is divided into parts referred to as shares.
3. In its activities the Company shall adhere to the laws, other legal acts and these Articles of Association. The Company’s Articles of Association constitute the principal and supreme document of the Company.
4. The legal form of the Company – public company.
5. The Company shall have its corporate seal.
6. The financial year of the Company shall be the calendar year.
7. Address of registered office of the Company is Elektrinės st. 21, LT-26108 Elektrėnai, Republic of Lithuania
8. The Company shall acquire the rights, assume and fulfil obligations through its bodies. The General Meeting of Shareholders, the Board and the Head of the Company – Managing Director constitute the bodies of the Company.

II. Goals and objectives of the Company’s activities

9. The goals of the Companies activities include: production and supply of power, also import, export and trade of electrical power and contribute to assurance of energy security. The Company shall be entitled to engage in other activities which do not contravene the goals of the Company’s activities and the laws of the Republic of Lithuania.
10. The Company’s bodies and their members shall act to the benefit of the Company and all shareholders of the Company. The bodies of the Company shall seek to attain the goals of the Company’s activities abiding by laws, other legal acts, these Articles of Association and internal documents of the Company.

III. Authorised capital and shares

11. The authorised capital of the Company comprises LTL 635,083,615 (six hundred and thirty five million eighty three thousand six hundred fifteen litas). The authorised capital of the Company is divided into 635,083,615 (six hundred and thirty five million eighty three thousand six hundred fifteen) ordinary registered shares of LTL 1 (one litas) nominal value each.
12. The Company issues the shares of one class: ordinary registered shares. All the shares of the Company are non-certificated. They are recorded in the personal securities accounts

of the shareholders.

IV. Shareholders and shareholders' rights

13. The shareholders of the Company shall have property and non-property rights defined in the laws, other legal acts and the present Articles of Association.
14. The managing bodies of the Company shall provide adequate conditions for exercise of the rights of the Company's shareholders.

V. General Meeting of Shareholders of the Company

15. The General Meeting of Shareholders shall be the supreme body of the Company.
16. The competence of the General Meeting of Shareholders and the procedure for convening the meeting and adopting decisions shall be governed by the Law on Companies of Republic of Lithuania, other legal acts and the present Articles of Association.
17. Additional competence of the General Meeting of Shareholders shall include:
 - 17.1. adoption of decisions on approval or disapproval on decisions of the Company's Board, as stipulated in Article 29 of these Articles of Association
 - 17.2. adoption of decisions regarding agreements with the Company's Board members and chairman of the Board in respect of their activity on the Board, as stipulated in Article 41 of these Articles of Association, if such agreements are concluded by resolution of the General Meeting of Shareholders, determination of standard provisions of such agreements, and designation of the person authorised to sign such agreements on behalf of the Company;
 - 17.3. adoption of decisions on approval or disapproval of the annual report of the Company.

VI. Board of the Company

18. The Board shall be a collegiate managing body of the Company.
19. The competence of the Board, the procedure for adoption of decisions and election and recall of members shall be governed by the laws, other legal acts and the present Articles of Association.
20. The Board shall be accountable to the General Meeting of Shareholders.
21. The Board shall consider and approve the strategy of the Company's activities, its budget, costs for the regulated services of the Company, as well as the organisational structure of the Company and employee positions and total (maximum) quota of employee positions.
22. In decision-making, the Board, abiding by the provisions of the laws, other legal acts and these Articles of Association, shall take into account the business guidelines and rules, annual financial plans, the annual rate of return on assets and the maximum amount of liabilities approved by the parent company, as well as other performance indicators of the Company approved by the parent company. Nothing in this Article

shall restrict the right of the Board to take independent decisions within its competence or release members of the Board from the responsibility for the decisions taken.

23. The Board shall take decisions on granting the Company the status of the founder or participant in legal entities, as well as on the transfer to other persons or on the encumbrance of any shares (stakes or interests) owned by the Company or of the rights conferred by such shares.
24. The Board may set forth the business guidelines and rules, annual financial plans, the annual rate of return on assets and the maximum amount of liabilities for the subsidiaries, as well as other performance indicators for the subsidiaries.
25. The Board shall take decisions on the establishment and winding up of any branches or representative offices of the Company, as well as on the approval and amendment of their regulations. The Board shall appoint and recall the heads of the branches and representative offices of the Company, shall consider establishment and winding up of the companies shareholder of which the Company is (including Company's subsidiaries), establishment and winding up of the branches and representative offices of such companies also candidacies for the members of the boards of such companies, if they are suggested by the Company.
26. The Board shall take decisions to issue debentures (except for convertible debentures) also decisions to lend support and charity in accordance to the part of the profit distributed by the General Meeting of Shareholders of The Company and designated for support and charity.
27. The Board shall approve the salary and other clauses of employment contract for the manager of internal auditing body of The Company, his job descriptions, provide incentives and impose penalties on him.
28. The Board shall also take decisions regarding conclusion of the following transactions (applicable on particular transaction or the series of related transactions, unless these transactions are concluded in accordance with the approved financial plan of the Company or the transactions meeting these criteria are stipulated in the Company's operating budget):
 - 28.1. investment, transfer or lease of long-term assets the book value whereof exceeds LTL 10,000,000 (ten million litas) (estimated for each type of transaction);
 - 28.2. pledge or mortgage of the Company's long-term assets the book value whereof exceeds LTL 10,000,000 (ten million litas) (estimated for each type of transaction);
 - 28.3. guaranteeing or warranting the fulfilment of other persons' obligations which exceed LTL 10,000,000 (ten million litas);
 - 28.4. acquisition of long-term assets for the price exceeding LTL 10,000,000 (ten million litas).
29. The Board shall also adopt decisions on these properties controlled by The Company:
 - 29.1. Decisions on transfer, mortgage, change of the legal status, any other mean of encumbrance or disposition of Lithuanian Power Plant (as a complex or substantial part of it);
 - 29.2. Decisions on transfer, mortgage, change of the legal status, any other mean of encumbrance or disposition of Kaunas Hydro Power Plant (as a complex or

- substantial part of it);
- 29.3. Decisions on transfer, mortgage, change of the legal status, any other mean of encumbrance or disposition of Kruonis Pumped Storage Power Plant (as a complex or substantial part of it);
30. The Board must receive the approval of the General Meeting of The Shareholders for adoption of the decisions as stipulated in Article 29 of these Articles of Association. The approval of the General Meeting of the Shareholders does not eliminate the responsibility of The Board on adopted decisions.
31. The Board shall also analyze and evaluate the issues (including conclusion of transactions) in respect of which the Board is addressed by the Managing Director.
32. If these Articles of Association or the laws applicable stipulate the necessity for the approval of the General Meeting of The Shareholders on adoption of the decisions of the Board such decisions of the Board can only be implemented only upon reception of the approval of the General Meeting of The Shareholders.
33. The Board shall consist of 5 (five) members.
34. The Board shall be elected for the term of 4 (four) years. The term of the Board shall commence upon termination of the General Meeting of Shareholders that elected the Board and shall expire on the date of the ordinary General Meeting of Shareholders to be held in the last year of the term of the Board.
35. If the Board is recalled, resigns or ceases the performance of its duties due to any other reasons prior to the end of the term, a new Board shall be elected for the remaining term of the Board that ceased the performance of its duties. If single members of the Board are to be elected, they shall be elected only for the remaining term of the functioning Board.
36. While nominating candidates for the Board, the nominating shareholder of the Company (proxy thereof) shall be bound to provide the General Meeting of Shareholders with written explanations as to the qualification, management experience and suitability of each candidate for the Board to take the position of the member of the Board of the Company.
37. Each candidate for the Board shall submit to the General Meeting of Shareholders his/her written consent to run for the Board and a declaration of the candidate's interests, specifying all the circumstances that may give rise to the conflict of interests between the candidate and the Company. Upon emergence of new circumstances that may give rise to the conflict of interests between the member of the Board and the Company, the member of the Board shall promptly notify the Company and the Board of such new circumstances in writing.
38. Members of the Board may perform other functions or take other positions, including but not limited to managerial positions in other legal entities, civil or statutory service, positions in the Company, the Company's parent company and other legal entities in which the Company is a participant or to which the Company is the parent company), only upon prior notice to the Board.

39. All members of the Board shall have equal rights and obligations, except for cases set forth in the laws and other legal acts.
40. The Board shall elect the chairman of the Board out of its members.
41. Contracts for activities in the Board, the conditions of which are determined by the General Meeting of Shareholders, may be concluded with the members and the chairman of the Board prior to their assumption of duties. In case of election or appointment of a member or the chairman of the Board of the Company for the position of the Managing Director or the head of a division in the Company, an employment contract shall be concluded with such person in respect of these functions.
42. In its activities the Board shall adhere to the laws, other legal acts, the present Articles of Association, resolutions of the General Meeting of Shareholders and the work regulations of the Board.
43. The Board shall adopt its decisions at the meetings of the Board. If needed, meetings of the Board may be held using the means of electronic communication (e.g. by teleconference, etc.), provided that the security of the delivered information is ensured and the identity of the voting person can be established. Meetings of the Board shall be recorded in the minutes. The minutes of the meeting of the Board shall be signed by the chairman and the secretary of the meeting not later than within 7 (seven) calendar days after the meeting.
44. Meetings of the Board shall be held at least once a quarter. The work regulations of the Board shall define the day and the time each quarter (save for exceptions set forth in the work regulations of the Board) when meetings of the Board shall be held. The work regulations of the Board may also define the regularity of other meetings of the Board. In any case each member of the Board and the Managing Director shall have the right of initiative to convene a Board meeting.
45. Meetings of the Board shall be convened and presided over by the chairman of the Board. In case of absence of the chairman of the Board or inability to perform his/her duties, meetings of the Board shall be convened and presided over by the oldest member of the Board.
46. The Board of the Company may adopt decisions and its meeting shall be deemed held when at least 4 (four) members of the Board are present at the meeting. The decisions are adopted when they receive more votes "for" than "against".
47. Members of the Board shall be obliged to attend the Board meetings and vote "for" or "against" each matter under consideration. A member of the Board shall be entitled to authorise, in simple written form, another Board member to represent him/her when voting at the Company's Board meeting. A member of the Board may not refuse voting or abstain from voting, unless otherwise prescribed by laws. Voting at a meeting of the Board shall be by open ballot. The minutes of a meeting of the Board shall reflect the will of each member of the Board who was present at the meeting of the Board with respect to each matter.
48. Members of the Board who in single cases are unable to directly participate in a meeting of the Board shall give their written votes in advance or vote via means of electronic

communication, provided that the security of the delivered information is ensured and the identity of the voting person can be established. Members of the Board who gave their written votes in advance or voted via means of electronic communication shall be deemed to have attended the meeting of the Board.

49. The Company shall ensure adequate work conditions in the Board for the Board and the members of the Board, as well as provide technical and organisational means necessary for the work. The Managing Director shall appoint the secretary of the Board, an employee of the Company who will service the meetings of the Board.

VII. Managing Director

50. The Managing Director is a one-person managing body of the Company. The Managing Director shall organise the Company's activities, manage the Company, act on behalf of the Company and unilaterally conclude transactions.
51. The competence of the Managing Director and the procedure for election and recall thereof shall be governed by The Law on Companies of Republic of Lithuania, other legal acts and the present Articles of Association.
52. When taking decisions and concluding transactions, the Managing Director, abiding by the provisions of the laws, other legal acts and these Articles of Association, shall take into account the business guidelines and rules, annual financial plans, the annual rate of return on assets and the maximum amount of liabilities approved by the parent company, as well as other performance indicators of the Company approved by the parent company. Nothing in this Article shall restrict the right of the Managing Director to take independent decisions within his competence or release the Managing Director from the responsibility for the decisions taken and transactions concluded.
53. The Managing Director shall issue and recall procurations.
54. If according to the laws or the present Articles of Association the decision and/or approval of another body of the Company is required for conclusion of transactions of the Company or adoption of other decisions, the Managing Director may conclude transactions of the Company or adopt other decisions solely upon adoption of such decision by a respective body of the Company and/or receipt of approval from a respective body of the Company.
55. The Board shall elect and recall the Managing Director to/from his/her position, fix his/her remuneration, other conditions of the employment contract, approve his/her office regulations, provide incentives to and punish the Managing Director. The Managing Director shall be accountable to the Board.
56. Any candidate for the position of the Managing Director shall submit to the Board his/her written consent to run for the position of the Managing Director and a declaration of the candidate's interests, specifying all the circumstances that may give rise to the conflict of interests between the candidate and the Company. Upon emergence of new circumstances that may give rise to the conflict of interests between the Managing Director and the Company, the Managing Director shall promptly notify the Board of such new circumstances in writing.

57. The Managing Director may not perform any other functions or take any other position, including but not limited to the position in the Company, the Company's parent company and other legal entities in which the Company or parent company is a participant, without prior consent of the Board, except for pedagogical, creative and author's activities that do not require the said consent.

VIII. Organisation of activities of the Company, audit and corporate finance

58. The organisational structure of and the positions in the Company shall be adequate to the target activities of the Company.
59. Activities of the Company shall be subject to planning and budgeting.
60. The parent company of the Company shall have the right to approve the Company's business guidelines and rules, the annual financial plan, the annual rate of return on assets and the maximum amount of liabilities, as well as other performance indicators of the Company consistent with the existing laws, which the Company must comply with.
61. Financial accounts of the Company shall be drawn up pursuant to the International Financial Reporting Standards.

IX. Notification procedure

62. Notices of the Company, which under the laws, other legal acts an/or these Articles of Association have to be announced publicly, shall be announced in the electronic publication issued by the Registrar of Legal Entities for announcement of public notices under procedure prescribed by the Government of the Republic of Lithuania.

X. Procedure for submission of documents and other information to shareholders and members of the Board

63. Upon written request of a shareholder, the Company shall, not later than within 7 (seven) calendar days after the date of receipt of such request, enable the shareholder's access to and/or provide the shareholder with copies of the following documents: the Articles of Association of the Company, annual financial accounts, annual reports of the Company, auditor's opinions and audit reports, minutes of the General Meetings of Shareholders or other documents reflecting the resolutions of the General Meetings of Shareholders, proposals or answers of the Board to the General Meetings of Shareholders, shareholders' lists, lists of the members of the Board, other documents of the Company which, according to the laws, are to be publicly accessible, minutes of the meetings of the Board or other documents which reflect the decisions of the said bodies of the Company, unless such documents contain a commercial (trade) secret or confidential information.
64. Any shareholder or a group of shareholders that owns or controls more than 1/2 (one half) of the shares and that has submitted a written undertaking not to disclose any commercial (trade) secret or confidential information, as well as any member of the Board, shall have the right to access all documents of the Company and its subsidiaries and all information of the Company and its subsidiaries (including information on draft decisions of the managing bodies of the Company that have not been adopted yet and

information on intended transactions and investments) that on the request of the receiving party must be organised in a systematic manner according to the reasonable criteria specified by such party. If the Company does not have the documents or information of the subsidiaries of the Company that are requested by the persons specified herein, the managing bodies of the Company shall take immediate actions for the Company to obtain such documents and information, exercising the rights conferred by the shares that the Company holds in the subsidiaries. Information and documents provided under Article 64 of the Articles of Association shall be provided without delay, but not later than within 5 (five) working days from the date of receipt of an appropriate request. Entities specified in Article 64 of the Articles of Association shall have the right to request and the Company shall have the obligation to ensure that specific information and documents are provided periodically without an individual request from the respective entity.

65. All information and documents defined in Articles 63 and 64 hereof shall be provided to the shareholders and to the members of the Board free of charge.
66. The Board shall determine which information is confidential and/or deemed a commercial (trade) secret of the Company.

XI. Final provisions

67. The Articles of Association of the Company shall be amended under the procedure set forth in the Law on Companies of the Republic of Lithuania by the resolution of the General Meeting of Shareholders adopted by the majority of at least 2/3 of votes conferred by all shares of the shareholders present in the General Meeting of Shareholders.
68. Upon adoption of the resolution by the General Meeting of Shareholders to amend the Articles of Association, the complete text of the amended Articles of Association shall be written down and signed by the person authorised by the General Meeting of Shareholders.
69. These Articles of Association are signed on [____] [__] 2011.
70. The Articles of Association shall come into force as from the moment of their registration with the Register of Legal Entities.

Person authorised by the General Meeting of Shareholders:

[__]