

# **Public Limited Liability Company Rytų Skirstomieji Tinklai**

## **ARTICLES OF ASSOCIATION**

### **I. General**

1. The name of the company is the public limited liability company Rytų Skirstomieji Tinklai (hereinafter the Company).
2. The Company is a private legal person with limited third party 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 operation the Company adheres to the laws, other legal acts and the present Articles of Association. The Articles of Association constitute the principal instrument of the superlative legal force of the Company.
4. The legal form of the Company is a public limited liability company.
5. The Company holds its own corporate seal.
6. The financial year of the Company is the calendar year.
7. The Company is seated at P. Lukšio St. 5B, Vilnius, Republic of Lithuania.
8. The Company acquires rights and assumes and fulfils obligations through its bodies. The General Meeting of Shareholders, the Board and the head of the Company, the General Manager, constitute the bodies of the Company.

### **II. Corporate purpose and subject of the Company**

9. The corporate purpose of the Company is to seek benefit for itself and all shareholders of the Company.
10. The bodies of the Company and their members shall be bound to work for the benefit of the Company and of all its shareholders. The managerial bodies of the Company shall pursue the corporate purpose of the Company in adherence of the laws, other legal acts, the present Articles of Association and internal documents of the Company.
11. The core business of the Company is distribution of electrical energy and/or other power industry activities. The Company may engage in other activities, provided that power distribution and/or other power industry activities will remain the core business.
12. The Company may, directly and/or indirectly, be a participant to other enterprises only in case the activities of such enterprises are directly related to the activities of the Company and with the approval of the General Meeting of Shareholders of the Company.

### **III. Authorised capital and shares**

13. The share capital of the Company constitutes LTL 492,404,653 (four hundred ninety-two million four hundred four thousand six hundred fifty-three litas). The share capital of the Company is divided into 492,404,653 (four hundred ninety-two million four hundred four thousand six hundred fifty-three) ordinary registered shares of the nominal value of LTL 1.00 (one litas).

14. The Company issues shares of one class: ordinary registered shares. All the shares of the Company are intangible. They are recorded in the personal stock accounts of the shareholders.

#### **IV. Shareholders and shareholders' rights**

15. The shareholders of the Company have tangible and intangible rights set forth in the laws, other legal acts and the present Articles of Association. The shareholders of the Company have pecuniary and non-pecuniary rights set forth in the laws, other legal acts and the present Articles of Association.
16. The managerial bodies of the Company shall provide adequate conditions for fulfilment of the shareholders' rights of the Company.

#### **V. General Meeting of Shareholders of the Company**

17. The General Meeting of Shareholders constitutes the supreme body of the Company.
18. The competence of the General Meeting of Shareholders and the procedure of convening the meeting and of adopting decisions are set forth in the laws, other legal acts and the present Articles of Association.
19. Additional competence of the General Meeting of Shareholders consists in the following:
  - 19.1. adoption of decisions on approval or disapproval of the decisions made by the bodies of the Company regarding the Company's participation in other companies, as provided for in paragraph 12 hereof;
  - 19.2. adoption of decisions on approval or disapproval of the decisions of the Board, stipulated in paragraph 29 hereof;
  - 19.3. adoption of decisions on the determination of conditions for contracts, if any, for activities in the Board with members and the Chairperson of the Board, as specified in paragraph 38 hereof, and on the appointment of a person authorised to sign such contracts on behalf of the Company;
  - 19.4. adoption of decisions on approval or disapproval of the annual report of the Company.

#### **VI. Board of the Company**

20. The Board constitutes a collegial managerial body of the Company.
21. The competence of the Board, the procedure of adoption of decisions and election and recall of members are set forth in the laws, other legal acts and the present Articles of Association.
22. The competence of the Board may not be assigned and/or delegated.
23. The Board is accountable to the General Meeting of Shareholders.
24. In decision-making, the Board, abiding by the provisions of the laws, other regulations and these Articles of Association, takes 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 the Company's other performance indicators approved by the Parent company. Nothing in this Article

restricts the right of the Board to take independent decisions within its competence or releases members of the Board from the responsibility for the decisions taken.

25. The Board takes decisions on granting the Company the status of the founder of or participant in legal persons, 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 granted by such shares.
26. The Board takes decisions on the establishment and winding up of any subsidiaries or representative offices of the Company, as well as on the approval and amendment of their regulations. The Board appoints and recalls the chief executives of the subsidiaries or representative offices of the Company.
27. The Board takes decisions to issue bonds (except for convertible bonds).
28. The Board discusses and takes decisions on the calculation of caps on electricity distribution prices and on public supply service and public electricity prices submitted by the General Manager, if the Company is engaged also in the activity of the public supply of electricity. The Board takes decisions on specific electricity prices and tariffs, as well as public supply service and public electricity prices and tariffs, if the Company is engaged in the activity of the public supply of electricity, and on approval of the procedure for the application thereof.
29. The Board, prior to taking any decisions on:
  - 29.1. investment, transfer or lease of non-current assets, the book value of which exceeds LTL 15,000,000 (fifteen million litas) (estimated for each type of transaction);
  - 29.2. pledge or mortgage of the Company's non-current assets;
  - 29.3. security or surety for the fulfilment of other persons' obligations;
  - 29.4. acquisition of non-current assets for a price over LTL 15,000,000 (fifteen million litas), except for cases when the Company acquires such assets in the fulfilment of the Company's financial plan and/or the Company acquires such assets due to the connection of power equipment of users, producers or other persons to the power network of the Company, or due to reconstruction (relocation) of power equipment of the Company at the request of third parties, shall obtain approval of the General Meeting of Shareholders. The approval of the General Meeting of Shareholders will not annul the responsibility of the Board for the decisions taken.
30. The Board comprises 5 (five) members.
31. The Board is elected for the term of 4 (four) years. The term of the Board commences upon termination of the General Meeting of Shareholders that elected the Board and expires on the date of the ordinary General Meeting of Shareholders to be held in the last year of the term of the Board.
32. In case of recall or resignation of the Board or suspension of its duties due to any other reasons prior to the end of the term, a new Board is elected for the remaining term of the Board that abandoned 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.
33. 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.
34. Each candidate for the Board shall submit his/her written consent to run for the Board and a declaration of the candidate's interest, specifying all circumstances that may give rise to the conflict of interest between the candidate and the Company, to the

General Meeting of Shareholders. Upon emergence of new circumstances that may give rise to the conflict of interest between the member of the Board and the Company, the member of the Board shall promptly notify the Company and the Board thereof in writing.

35. Members of the Board may only perform other functions or take other positions (including but not limited to managerial positions in other legal persons, civil or statutory service, positions in the Company, Parent company and other legal persons to which the Company is a participant or Parent company) upon prior notice to the Board.
36. All members of the Board have equal rights and obligations, except for cases set forth in the laws and other legal acts.
37. The Board shall elect the Chairperson of the Board out of its members.
38. 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 Chairperson of the Board prior to their assumption of duties. In case of election of a member or the Chairperson of the Board of the Company for the position of the General Manager or appointment of such the Manager of a division of the Company, an employment contract shall be also concluded.
39. In the course of its operations the Board shall adhere to the laws, other legal acts, the present Articles of Association, decisions of the General Meeting of Shareholders and the rules of procedure of the Board.
40. The Board adopts its decisions at the sittings of the Board. Sittings of the Board are generally held at the seat of the Company. If needed, sittings of the Board may be held outside the seat of the Company. Sittings of the Board shall be subject to record. The minutes of the sitting of the Board shall be signed by the Chairperson and the secretary of the sitting not later than within 7 (seven) calendar days after the sitting.
41. Sittings of the Board shall be held at least once a quarter. The rules of procedure of the Board shall define the day and the time each quarter (except for cases set forth in the rules of procedure of the Board) that sittings of the Board shall be held at the seat of the Company. The rules of procedure of the Board may define the regularity also of other sittings of the Board. In any case each member of the Board and the General Manager have the right of initiative to convene a sitting.
42. Sittings of the Board shall be convened and presided by the Chairperson of the Board. In case of absence of the Chairperson of the Board or inability to perform his/her duties, sittings of the Board shall be convened and presided by the eldest member of the Board.
43. The Board of the Company may adopt decisions and its sitting is deemed having taken place when at least 4 (four) members of the Board are present at the sitting.
44. Members of the Board shall be obliged to take part in sittings of the Board and vote "for" or "against" each matter under consideration. A member of the Board shall not be entitled to refuse voting, abstain or authorise other persons to vote on his/her behalf. Voting at a sitting of the Board shall be by open ballot. The minutes of a sitting of the Board shall define the will of each member of the Board, who was present at the sitting of the Board, with respect to each matter.
45. Members of the Board in single cases unable to directly participate in a sitting of the Board shall give their written votes in advance or vote via telecommunication facilities. Members of the Board who gave their written votes in advance or voted via telecommunication facilities are deemed to have taken part in the sitting of the Board.

46. The Company shall ensure adequate work conditions for the Board and the members of the Board in the Board, as well as provide technical and organisational means necessary for work. The General Manager shall appoint the Secretary of the Board, an employee of the Company, to service sittings of the Board.

## **VII. General Manager**

47. The General Manager represents a one-man managerial body of the Company. The General Manager is the chief executive and representative of the Company.
48. The competence of the General Manager and the procedure of election and recall thereof are set forth in the laws, other legal acts and the present Articles of Association.
49. The General Manager implements the decisions of the General Meeting of Shareholders and of the Board, analyses, discusses and assesses activities of the Company and the circumstances of operation of the Company, plans activities of the Company, adopts decisions as to operation of the Company, acts on behalf of the Company and concludes transactions at his/her absolute discretion, controls performance of the Company and organises the Company's routine activities.
50. The General Manager issues and recalls powers of procuration.
51. In case 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, the General Manager may conclude transactions of the Company solely upon adoption of such decision and/or receipt of approval.
52. The Board elects, recalls and suspends the General Manager, determines his/her remuneration, other conditions of the employment contract, approves his/her description of duties, provides incentives to and punishes the General Manager. The General Manager is accountable to the Board.
53. Any candidate for the position of the General Manager shall submit his/her written consent to run for the position of the General Manager and a declaration of the candidate's interest, specifying all circumstances that may give rise to the conflict of interest between the candidate and the Company, to the Board. Upon emergence of new circumstances that may give rise to the conflict of interest between the General Manager and the Company, the General Manager shall promptly notify the Board thereof in writing.
54. The General Manager may not perform the functions or take the position that are incompatible with his/her activities as the General Manager, including but not limited to managerial positions in other legal persons, civil or statutory service (except for the position in the Company, Company's Parent company and other legal persons to which the Company or Parent company is a participant). Taking of other positions or performance of other functions, including a position in the Company and other legal persons to which the Company is a participant, by the General Manager is only allowed with the prior consent of the Board.

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

55. The organisational structure of and the positions in the Company shall be adequate in respect of the purposeful activities of the Company.
56. Activities of the Company are subject to planning and budgeting.

57. The Parent company of the Company has the right to approve the business guidelines and rules, annual financial plans, 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 under an appropriate resolution of the Board of the Company.
58. Financial accounts and consolidated accounts of the Company shall be drawn up pursuant to the International Financial Reporting Standards. Annual audit of the financial accounts of the Company shall be carried out by an audit company generally recognised in the European Union. The General Meeting of Shareholders of the Company has the exclusive right to select and recall the auditor and to establish the conditions of payment for audit services.

#### **IX. Notification procedure**

59. The Company provides information about material events to the news agency BNS. If the Company has no opportunity to provide information about material events to the news agency BNS, such information is provided to the news agency ELTA or to the daily newspaper specified herein.
60. Notices of the Company, which under the laws and regulations and/or these Articles of Association have to be published in the press, shall be published in the daily *Verslo žinios*. If the Company has no opportunity to publish its notices in the daily *Verslo žinios*, notices of the Company, which under the laws and regulations and/or these Articles of Association have to be published in the press, shall be published in another daily newspaper that has the largest circulation in the Republic of Lithuania. The Company may also publish additional notices by other means.

#### **X. Procedure of submission of documents and further information to shareholders and members of the Board**

61. At the written request of a shareholder, the Company shall, not later than within 7 (seven) calendar days from 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, reports of the annual financial accounts, annual reports of the Company, auditor's opinions and audit reports, minutes of the General Meetings of Shareholders or other documents executing the decisions of 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 sittings of the Board or other documents which execute the decisions of the said bodies of the Company, unless such documents contain a commercial (industrial) secret.
62. 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 acknowledgement for nondisclosure of any commercial (industrial) secret, as well as any member of the Board 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 bodies of the Company that have not been taken yet and information on expected transactions and investments) that on the request of the receiving party must be organised in a systematic manner according to the reasonable instructions of such party. If the Company does not have documents or information of the subsidiaries of the Company that are requested by parties specified herein, the managerial bodies of the Company shall take immediate action for the Company to obtain such documents and information, by exercising the rights granted by the shares that the Company holds in the subsidiaries. Information and documents provided under paragraph 62 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 paragraph 62 of the Articles of Association have the right to request and the Company has the obligation to ensure that specific information and documents are provided periodically without an individual request from the respective entity.

63. All information and documents defined in paragraphs 61 and 62 hereof, shall be provided to the shareholders and to the members of the Board on a gratuitous basis.
64. The Board determines which information is confidential and/or deemed a commercial (industrial) secret of the Company. The Board may recognise information of the Company confidential and/or a commercial (industrial) secret of the Company only for a definite period of time and exclusively in cases where it is apparently and objectively necessary, ensuring legal interests of the Company or fulfilling statutory requirements.

## **XI. Final provisions**

65. The Articles of Association of the Company shall be subject to amendment under the procedure set forth in the Law on companies of the Republic of Lithuania by the decision of the General Meeting of Shareholders adopted by the majority of at least 2/3 of votes granted by all shares of the shareholders present in the General Meeting of Shareholders.
66. Upon adoption of the decision 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.
67. The Articles of Association are signed on [date].
68. The Articles of Association take effect as of the date of their registration with the Registry of Legal Entities.

Person authorised by the General Meeting of Shareholders:

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