

## **PUBLIC COMPANY “LIETUVOS ENERGIJA”**

### **ARTICLES OF ASSOCIATION**

#### **I. General part**

1. The name of the company is public company “LIETUVOS ENERGIJA” (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. The Company is seated at Elektrinės g. 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: manufacture, supply of electricity, import and export of electricity, sale of electricity, and contribution to ensuring the energy safety. 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 managing 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 489,282,926 (four hundred eighty nine million two hundred eighty two thousand nine hundred twenty six litas). The authorised capital of the Company is divided into 489,282,926 (four hundred eighty nine million two hundred eighty two thousand nine hundred twenty six) 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 laws, 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 regarding approval or disapproval of the decisions of the Company's board stipulated in Article 28 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 40 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, as well as the organisational structure of the Company and 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 debt 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 shall 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 of or

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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 debt 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.
26. The Board shall take decisions to issue debentures (except for convertible debentures).
27. The Board shall also take decisions regarding conclusion of the following transactions (applicable to an individual transaction or a 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):
  - 27.1. 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 separately);
  - 27.2. pledge or mortgage of the Company's long-term assets the book value whereof exceeds LTL 10,000,000 (ten million litas) (estimated for the total amount of transactions);
  - 27.3. guaranteeing or warranting the fulfilment of other persons' obligations which exceed LTL 10,000,000 (ten million litas);
  - 27.4. acquisition of long-term assets for the price exceeding LTL 10,000,000 (ten million litas).
28. The Board shall take the following decisions regarding the following objects as indicated in the Law on Enterprises and Facilities of Strategic Importance to National Security and Other Enterprises of Importance to Ensuring National Security and as belonging to the Company:
  - 28.1. decisions on transfer, pledge, other encumbrance or disposal of shares in the public company "Lietuvos elektrinė" or of the rights conferred by such shares, increase, decrease of the authorised capital of the public company "Lietuvos elektrinė", or any other actions enabling the change of the structure of the authorised capital of the public company "Lietuvos elektrinė" (e.g. issue of convertible debentures) and decisions regarding reorganisation, spin-off, restructuring, liquidation, transformation of the public company "Lietuvos elektrinė", or any other actions changing the status of the said company;
  - 28.2. decisions on transfer, pledge of the Company's branch "Kaunas Hydro Power Plant" (as a property complex or an essential part thereof), change of the legal status, any other encumbrance or disposal;
  - 28.3. decisions on transfer, pledge of the Company's branch "Kruonis Pumped Storage Plant" (as a property complex or an essential part thereof), change of the legal status, any other encumbrance or disposal.
29. The decisions of the Board referred to in Article 28 of these Articles of Association shall require an approval of the General Meeting of Shareholders. An approval of the General

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- Meeting of Shareholders shall not release the Company's Board from liability for the assumed decisions.
30. The Board shall also resolve the issues (including conclusion of transactions) in respect of which the Board is addressed by the Managing Director.
  31. If pursuant to these Articles of Association or laws the decisions of the Board require the approval of the General Meeting of Shareholders, the Board decisions may be implemented only upon approval of the General Meeting of Shareholders.
  32. The Board shall consist of 5 (five) members.
  33. 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.
  34. 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.
  35. While nominating candidates to the Board members, 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.
  36. 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.
  37. 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.
  38. All members of the Board shall have equal rights and obligations, except for cases set forth in the laws and other legal acts.
  39. The Board shall elect the chairman of the Board out of its members.
  40. 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.

41. 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.
42. 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.
43. 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.
44. 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.
45. 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. A decision of the Board shall be deemed adopted if the number of votes "for" exceeds the number of votes "against".
46. 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.
47. 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.
48. 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 carry out the functions of servicing the meetings of

the Board.

## **VII. Managing Director**

49. 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.
50. The competence of the Managing Director and the procedure for election and recall thereof shall be governed by the laws, other legal acts and the present Articles of Association.
51. 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 and conclude transactions within his competence or release the Managing Director from the responsibility for the decisions taken and transactions concluded.
52. The Managing Director shall issue and recall procurations.
53. 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.
54. 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.
55. 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.
56. 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**

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57. The organisational structure of and the positions in the Company shall be adequate to the target activities of the Company.
58. Activities of the Company shall be subject to planning and budgeting.
59. 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 debt liabilities, as well as other performance indicators of the Company consistent with the existing laws, which the Company must comply with.
60. Financial accounts of the Company shall be drawn up pursuant to the International Financial Reporting Standards.

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

61. 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. The Company may also announce notices additionally by other means.

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

62. 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.
63. 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 person must be organised in a systematic manner according to the reasonable criteria specified by such person. 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 63 of the Articles of Association shall be provided without delay,

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but not later than within 5 (five) working days after the date of receipt of an appropriate request. Entities specified in Article 63 of the Articles of Association shall have the right to request and the Company shall have the obligation to ensure that certain specific information and documents are provided periodically without an individual request from the respective entity.

64. All information and documents defined in Articles 62 and 63 hereof shall be provided to the shareholders and to the members of the Board free of charge.
65. The Board shall determine which information is confidential and/or deemed a commercial (trade) secret of the Company.

## **XI. Final provisions**

66. 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 (two-thirds) of votes conferred by all shares of the shareholders present in the General Meeting of Shareholders.
67. Upon adoption of the resolution by the General Meeting of Shareholders to amend the Company's 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.
68. These Articles of Association are signed on [ ] [ ] 2010.
69. 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:

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