

**PUBLIC COMPANY  
LIETUVOS ENERGIJA**

**SPIN-OFF TERMS**

*Approved 29 September 2009  
By the Board Meeting of the Public Company Lietuvos Energija*

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## 1. DEFINITIONS

- 1.1. For the purposes of these Spin-Off Terms:
- 1.1.1. **‘AB Kauno HE’** means a new company established on the basis of a part of Kauno HE under these Spin-Off Terms, to which the part of Kauno HE is transferred and the name of which is to be the Public Company Kaunas Hydropower Plant.
- 1.1.2. **‘AB Kruonio HAE’** refers to a new company established on the basis of a part of Kruonio HAE under these Spin-Off Terms, to which the part of Kruonio HAE is transferred and the name of which is to be the Public Company Kruonis Pumped Storage Plant.
- 1.1.3. **‘Shareholder’** or **‘Shareholders’**, severally or jointly, is shareholders of the Company.
- 1.1.4. **‘Spin-Off Part’** means the parts of Kauno HE and Kruonio HAE severally, to be split from the Company during the spin-off, and **‘Spin-Off Parts’** means such parts jointly.
- 1.1.5. **‘Spin-Off’** is a split of the part of Kauno HE and the part of Kruonio HAE from the Company and the establishment of the new companies, AB Kauno HE and AB Kruonio HAE, on the basis of this Spin-Off Part, to be carried out under the Spin-Off Terms.
- 1.1.6. **‘Spin-Off Terms’** refers to the Spin-Off Terms of the Company.
- 1.1.7. **‘Company’** or **‘AB Lietuvos Energija’** is the Public Company Lietuvos Energija, registration No: 220551550, legal address: Žvejų St. 14, Vilnius, Lithuania, which is engaged in activities both prior to the completion of the Spin-Off and after the Spin-Off, dependent on the context of the Spin-Off Terms.
- 1.1.8. **‘Company Spin-Off Decision’** means a decision of the General Meeting of Shareholders of the Company on the spin-off of the Company, which approves the Spin-Off Terms, amends the Company’s Articles of Association and solves other issues relating to the Spin-Off that must be or are appropriate to be solved according to the existing law.
- 1.1.9. **‘Draft Balance Sheets’** refers to draft Balance Sheets drawn up on the basis of the rules laid down in Annex 3 hereto, which will determine the final capital, assets and liabilities designated to the Company and the New Spin-Offs after the Spin-Off.
- 1.1.10. **‘Registry of Legal Entities’** or **‘RLE’** is the Registry of Legal Entities of the Republic of Lithuania.
- 1.1.11. **‘Part of Kauno HE’** refers to the activities of the Company, in particular electricity production and storage of reserve capacity at the Kaunas Hydropower Plant, to be split from the Company during the Spin-Off, i.e. such a part of the activities of the Company as a total of assets, rights and liabilities which, in organisational terms, makes up an independent economic entity engaged in activities and capable of functioning by its own means, and which serves as the basis for the establishment of AB Kauno HE under the Spin-Off Terms. A detailed description of the part of Kauno HE is provided in point 10.2 of the Spin-Off Terms and in appropriate Annexes hereto, as specified in point 10.2.
- 1.1.12. **‘Part of Kruonio HAE’** means the activities of the Company, in particular electricity production and storage of reserve capacity at the Kruonis Pumped Storage Plant, to be split from the Company during the Spin-Off, i.e. such a part of the activities of the Company as a total of assets, rights and liabilities which, in organisational terms, makes up an independent economic entity engaged in activities and capable of functioning by its own means, and which serves as the basis for the establishment of AB Kruonio HAE under the Spin-Off Terms. A detailed description of the part of Kruonio HAE is provided in point 10.3 of the Spin-Off Terms and in appropriate Annexes hereto, as specified in point 10.3.
- 1.1.13. **‘Remaining Part’** refers to a total of the Company’s assets, rights and liabilities which is

not transferred to the New Spin-Offs, as specified in point 10.5 hereof.

- 1.1.14. **‘New Spin-Offs’** means AB Kauno HE and AB Kruonio HAE jointly, to be established on the basis of the part of Kauno HE and of the part of Kruonio HAE, under these Spin-Off Terms, and **‘New Spin-Off’** means them separately.
- 1.1.15. **‘Acceptance and Transfer Report’** is a report of acceptance and transfer of an appropriate spin-off part (in particular the part of Kauno HE and the part of Kruonio HAE) made between the Company, which continues its activities after the Spin-Off, and an appropriate New Spin-Off under these Spin-Off Terms, which report serves as the basis for transfer of all such spin-off part (in particular the part of Kauno HE and the part of Kruonio HAE) to an appropriate New Spin-Off. In the event that several acceptance and transfer reports are made regarding transfer of an appropriate spin-off part, **‘Acceptance and Transfer Report’** refers to all such acceptance and transfer reports jointly.
- 1.1.16. **‘Draft Balance Sheets of 30 June 2009’** is the Balance Sheets drawn up on the basis of the rules laid down in Annex 1 to the Company Balance Sheet of 30 June 2009 and to these Spin-Off Terms. The draft Balance Sheets of 30 June 2009 are provided in Annex 2 hereto.
- 1.1.17. **‘Agreement’** refers to the Agreement on the Establishment of the National Investor made between the Republic of Lithuania and UAB NDX Energija on 29 April 2008.
- 1.1.18. **‘Companies in operation’** jointly means the New Spin-Offs and the Company continuing its activities after the Spin-Off.
- 1.2. In the Spin-Off Terms, the words used in the singular may refer to the plural, depending on the context, and vice versa. Similarly, the words in the masculine gender may refer to the feminine gender, depending on the context, and vice versa. The names contained in the Spin-Off Terms are only for convenience and do not affect the meaning or interpretation of the Spin-Off Terms. Each occurrence of the wording ‘including’ or similar in the Spin-Off Terms is deemed to be followed by the wording ‘but not limited to’.
- 1.3. In the Spin-Off Terms, any reference to a specific article, point or paragraph means a reference to that specific article, point or paragraph of the Spin-Off Terms, unless otherwise provided.

## 2. INFORMATION ABOUT THE COMPANIES

- 2.1. The Company is a public company that will continue its activities after the Spin-Off and from which the Spin-Off Part will be split, by establishing new companies of the same legal form, AB Kauno HE and AB Kruonio HAE, on the basis of this Spin-Off Part, as provided for in these Spin-Off Terms.
- 2.2. Information about the Company participating in the Spin-Off at the time of drawing up the Spin-Off Terms:

-	Name:	Public Company LIETUVOS ENERGIJA;
-	Legal form:	Public Company;
-	Legal address:	Žvejų St. 14, Vilnius, Republic of Lithuania;
-	Registration No:	220551550;
-	VAT payer No:	LT205515515;
-	Registry collecting and storing data about the Company:	Registry of Legal Entities;
-	Subscribed capital:	LTŁ 689 515 435 (six hundred eighty-nine million five hundred fifteen thousand four hundred thirty-five litas);

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- Paid-up subscribed capital: LTL 689 515 435 (six hundred eighty-nine million five hundred fifteen thousand four hundred thirty-five litas);
- Period of operation: Unlimited.

2.3. Information about the Company continuing its activities after the Spin-Off:

- Name: Public Company LIETUVOS ENERGIJA;
- Legal form: Public Company;
- Legal address: Žvejų St. 14, Vilnius, Republic of Lithuania;
- Registration No: 220551550;
- VAT payer No: LT205515515;
- Registry collecting and storing data about the Company: Registry of Legal Entities;
- Subscribed capital: LTL 566 057 704 (five hundred sixty-six million fifty-seven thousand seven hundred and four litas);
- Paid-up subscribed capital: LTL 566 057 704 (five hundred sixty-six million fifty-seven thousand seven hundred and four litas);
- Period of operation: Unlimited.

2.4. Information about AB Kauno HE established after the Spin-Off:

- Name: Public Company Kaunas Hydropower Plant;
- Legal form: Public Company;
- Legal address: T. Masiulio St. 22A, Kaunas, Republic of Lithuania;
- Registry collecting and storing data about the Company: Registry of Legal Entities;
- Subscribed capital: LTL 23 782 035 (twenty-three million seven hundred eighty-two thousand and thirty-five litas);
- Paid-up subscribed capital: LTL 23 782 035 (twenty-three million seven hundred eighty-two thousand and thirty-five litas);
- Period of operation: Unlimited.

2.5. Information about AB Kruonio HAE established after the Spin-Off:

- Name: Public Company Kruonis Pumped Storage Plant;
- Legal form: Public Company;
- Legal address: Kruonis Village, Kaišiadorys distr. Municipality, Republic of Lithuania;
- Registry collecting and storing data about the Company: Registry of Legal Entities;
- Subscribed capital: LTL 99 675 696 (ninety-nine million six hundred seventy-five thousand six hundred ninety-six litas);
- Paid-up subscribed capital: LTL 99 675 696 (ninety-nine million six hundred seventy-five thousand six hundred ninety-six litas);
- Period of operation: Unlimited.

**3. PURPOSE AND LEGAL CONSEQUENCES OF THE SPIN-OFF**

- 3.1. The purpose of this Spin-Off is the implementation of point 4.1 of the Agreement and the legal and functional unbundling of the parts of Kauno HE and Kruonio HAE from AB Lietuvos Energija, and the establishment of two public companies on the basis of assets, rights and liabilities designated thereto (one on the basis of assets, rights and liabilities of Kauno HE, and the other on the basis of assets, rights and liabilities of Kruonio HAE).
- 3.2. The legal consequences of this Spin-Off will be the following: after completing the Spin-Off, AB Lietuvos Energija will continue its operations, and AB Kruonio HAE and AB Kauno HE will be established on the basis of the Spin-Off Parts and will begin new operations.

**4. METHOD AND LEGAL TERMS OF THE SPIN-OFF**

- 4.1. The method of the Spin-Off:
- 4.1.1. The Spin-Off shall be carried out according to the Civil Code, the Law on companies and other laws and regulations.
- 4.1.2. The Spin-Off shall be carried out pursuant to the method provided for in Article 71(1) of the Law on companies, i.e. when a part of a company that continues its activities is split and one or several companies of the same legal form are established on the basis of assets, rights and liabilities designated to such part, and, pursuant to Article 71(2) of the Law on companies, by applying to the spin-off procedure *mutatis mutandis* the provisions of the Civil Code and of the Law on companies regulating reorganisation by way of division.
- 4.1.3. The Spin-Off shall comply with the provisions of Article 41(2)(5) of the Law on corporate income tax, in particular when “an entity, without being dissolved, transfers (hereinafter referred to as the ‘transferring entity’) one or more branches of its activity in the form of assets, rights and liabilities which from an organisational point of view constitute an independent economic entity, carrying out its activities and capable of functioning by its own means, (hereinafter referred to as a ‘branch of activity’) to one or more new or existing entities (hereinafter referred to as the ‘receiving entities’), which results in a reduction of its subscribed capital and members of the transferring entity, in exchange for the shares (interests, member shares) held in the transferring entity, receive pro rata shares (interests, member shares) issued by the receiving entities”.
- 4.1.4. Pursuant to point 4.1.3, the following shall be split from the Company during the Spin-Off:
- The part of Kauno HE as a total of assets, rights and liabilities which in organisational terms makes up an independent economic entity engaged in activities and capable of functioning by its own means, and AB Kauno HE shall be established on the basis of this spin-off part, which after the Spin-Off will continue its activities transferred to it (the spin-off part of Kauno HE);
  - The part of Kruonio HAE as a total of assets, rights and liabilities which in organisational terms makes up an independent economic entity engaged in activities and capable of functioning by its own means, and AB Kruonio HAE shall be established on the basis of this spin-off part, which after the Spin-Off will continue its activities transferred to it (the spin-off part of Kruonio HAE).
- 4.1.5. Pursuant to point 4.1.3, the Spin-Off shall be governed by the provisions of Article 42 of the Law on corporate income tax and by relevant provisions of the Law on income tax of individuals whereunder the increase in the value of assets, in case that under the Spin-Off Terms the Shareholders of the Company have received shares of the New Spin-Offs in exchange for their shares held in the Company, shall not be treated as income of the Shareholders of the Company, and the acquisition value of the shares of the New Spin-Offs

received in exchange by the Shareholders of the Company shall be the acquisition value of the shares of the Company exchanged that existed prior to the exchange of the shares of the Company for the appropriate shares of the New Spin-Offs; also, in case that the Company transfers the Spin-Off Part, the increase in the value of assets shall not be treated as income of the Company, and accordingly for the New Spin-Off which has received an appropriate part of the Spin-Off Part the acquisition value of that part shall be the acquisition value in the Company that existed prior to the transfer of that part to an appropriate New Spin-Off.

4.2. The legal terms of the Spin-Off:

- 4.2.1. The subscribed capital (the value of the last share issue) of the Company shall be fully paid-up.
- 4.2.2. The Spin-Off Terms have been drawn up by the Board of the Company, pursuant to the decisions of the Extraordinary General Meetings of Shareholders of the Company of 4 December 2008 and 8 September 2009.
- 4.2.3. The Company has no status of a company under liquidation.
- 4.2.4. The Spin-Off Terms shall be assessed by an Audit Company that has an agreement with the Company.
- 4.2.5. The Board of the Company shall prepare a detailed written report containing the objectives of the Spin-Off, an explanation of the Spin-Off Terms and of the continuation of activities, the time limits of the Spin-Off and a legal and economic justification of the Spin-Off Terms.
- 4.3. The Spin-Off shall be carried out to implement Article 4 of the Agreement which stipulates that a legal and functional unbundling from AB Lietuvos Energija of the parts of Kauno HE and Kruonio HAE and of the part of assets, rights and liabilities designated thereto shall be carried out, based on which two public companies shall be established (one on the basis of assets, rights and liabilities of Kauno HE, and the other on the basis of assets, rights and liabilities of Kruonio HAE), pursuant to the principles laid down in Annexes 1 and 3 to the Agreement and to other provisions, as specified in Annexes 1 and 3 hereto.

**5. COMPANIES OPERATING AFTER THE SPIN-OFF**

- 5.1. The company to continue its activities and to operate after the Spin-Off shall be AB Lietuvos Energija.
- 5.2. The New Spin-Offs to be established and to operate after the Spin-Off shall be AB Kauno HE and AB Kruonio HAE.
- 5.3. As from the date of the public notification of the drawing up of the Spin-Off Terms, the Company shall acquire the status of a company participating in the Spin-Off.

**6. IMPLEMENTATION AND COMPLETION OF THE SPIN-OFF**

- 6.1. The Company will issue a public notification of the drawing up of the Spin-Off Terms pursuant to the procedure laid down in the Law on companies.
- 6.2. The Spin-Off provided for in the Spin-Off Terms will be implemented and completed subject to the spin-off decision taken by the Company.
- 6.3. If the Company takes the spin-off decision, the General Meeting of Shareholders of an appropriate New Spin-Off (prior to registration of the Articles of Association of the New Spin-Offs with the Registry of Legal Entities, the Shareholders of the New Spin-Offs and the Shareholders of the Company will be the same persons) shall approve the Articles of Association of an appropriate New Spin-Off, elect members of the Board of an appropriate New Spin-Off and solve other issues relating to the Spin-Off or within the competence of

the General Meeting of Shareholders, where necessary or appropriate.

- 6.4. The Spin-Off shall be deemed completed upon registration of the amended Articles of the Association of the Company and of the New Spin-Offs with the Registry of Legal Entities.

**7. RATIO OF EXCHANGE OF SHARES OF THE COMPANY PARTICIPATING IN THE SPIN-OFF AND THE JUSTIFICATION OF SUCH RATIO, THE NUMBER OF SHARES OF THE COMPANIES OPERATING AFTER THE SPIN-OFF BY THE CLASS AND PAR VALUE AND THE RULES OF DISTRIBUTION OF THE SHARES TO THE SHAREHOLDERS**

- 7.1. As of the date of the Spin-Off Terms, 100 % (one hundred percent) of the shares of the Company shall consist of 689 515 435 (six hundred eighty-nine million five hundred fifteen thousand four hundred thirty-five) ordinary registered shares of the nominal value of LTL 1 (one litas), and the nominal value of all these shares shall be LTL 689 515 435 (six hundred eighty-nine million five hundred fifteen thousand four hundred thirty-five litas).

- 7.2. Whereas:

- (i) The Spin-Off is carried out so that the number of shares of AB Kauno HE and AB Kruonio HAE and of AB Lietuvos Energija that will continue its operations after the Spin-Off is directly prorated to the shareholdings of their shareholders in the Shareholders' equity of AB Lietuvos Energija prior to the Spin-Off, i.e. each existing Shareholder of AB Lietuvos Energija retains the same right to the ownership of a share of the business of AB Lietuvos Energija both prior to and after the Spin-Off (the sum of the rights to the ownership of the businesses of AB Lietuvos Energija, AB Kauno HE and AB Kruonio HAE that will operate after the Spin-Off), taking into account the rules of rounding and distribution of shares (which has no material effect on the shareholders' interests due to the insignificance of the influence of such rounding on the absolute sums), as stated hereunder, and there would be no difference whether the Spin-Off is carried out on the basis of the fair value of the business or of the book value, and
- (ii) The amount of the subscribed capital and the number of shares transferred to AB Kauno HE and AB Kruonio HAE and remaining with the AB Lietuvos Energija after the Spin-Off is directly prorated to the shareholdings of their shareholders in the Shareholders' equity of AB Lietuvos Energija prior to the Spin-Off;

the book values per share of both companies subject to the spin-off, in particular AB Kauno HE and AB Kruonio HAE, equal to the book value per share of AB Lietuvos Energija as of 20 June 2009, shall be retained and the ratio of exchange of shares shall be calculated on the basis of the book values of the shares and of the spin-off net assets, pursuant to the provisions of point 2.1 of Annexes 3 and 4 to the Agreement whereunder the determination of assets, rights and liabilities designated to the New Spin-Offs during the Spin-Off will be governed by the data of appropriate Balance Sheets.

- 7.3. The implementation of the Spin-Off will fulfil the following conditions:

- 7.3.1. The Company, upon transfer of the part of Kauno HE and the part of Kruonio HAE to the newly-established AB Kauno HE and AB Kruonio HAE during the Spin-Off, taking into account the structure of the Spin-Off Part as a total of assets, rights and liabilities and of the Remaining Part, shall reduce its subscribed capital by an appropriate amount used for the formation of the subscribed capitals of AB Kauno HE and AB Kruonio HAE.

- 7.3.2. Taking into account the Spin-Off Part according to the Company's Balance Sheet as of 30 June 2009, the subscribed capital of the Company shall be reduced to LTL 566 057 704 (five hundred sixty-six million fifty-seven thousand seven hundred and four litas), by cancelling 123 457 731 (one hundred twenty-three million four hundred fifty-seven thousand seven hundred thirty-one) ordinary registered shares of the Company respectively. The subscribed capitals of AB Kauno HE and of AB Kruonio HAE will equal LTL 23 782



035 (twenty-three million seven hundred eighty-two thousand and thirty-five litas) and LTL 99 675 696 (ninety-nine million six hundred seventy-five thousand six hundred ninety-six litas), respectively.

- 7.4. The capital and shareholders' equity of the newly-established AB Kauno HE and AB Kruonio HAE shall be determined on the basis of the book values of the assets and liabilities of the Spin-Off Part according to the Company's Balance Sheet as of 30 June 2009, as specified in Annexes 1 and 2 hereto.
- 7.5. As a result of the reduction of the subscribed capital of the Company due to the Spin-Off, the Shareholders of the Company will receive shares in AB Kauno HE and AB Kruonio HAE, which will be distributed pro rata to the number of shares held by each Shareholder in the subscribed capital of the Company. The right to receive shares in AB Kauno HE and AB Kruonio HAE will be granted to those persons who are the Shareholders of the Company on the date of suspension of trading in the Company's shares with a view to allowing the manager of the Registry of Legal Entities to register the newly-established companies, AB Kauno HE and AB Kruonio HAE.
- 7.6. The number of shares of AB Lietuvos Energija held by each Shareholder of AB Lietuvos Energija after the Spin-Off of AB Lietuvos Energija shall be calculated by multiplying the number of shares of AB Lietuvos Energija held by the Shareholder by a factor of 0.8209500113 and by rounding the sum as follows:
- 7.6.1. Where the fraction of a number is equal to or more than 0.5, the number of shares of AB Lietuvos Energija granted after the Spin-Off will be rounded up to the nearest whole number;
- 7.6.2. Where the fraction of a number is below 0.5, the number of shares of AB Lietuvos Energija granted after the Spin-Off will be rounded down to the nearest whole number (in this case, the difference between the whole number and its fractions will not be subject to compensation by cash).
- 7.7. Shareholders of the Company who, pursuant to the rules of exchange of the shares specified in point 7.6 hereof, will hold less than 1 share of AB Lietuvos Energija after such rounding will each receive 1 share of the Company.
- 7.8. Upon determining that the number of shares calculated for the Shareholders under points 7.6.1 and 7.6.2 exceeds the subscribed capital of AB Lietuvos Energija reduced after the Spin-Off, the number of shares for the Shareholder who, pursuant to points 7.6.1 and 7.6.2, will receive the largest number of the shares of AB Lietuvos Energija after the Spin-Off, will be reduced by a number equal to the difference between the number of shares calculated for the Shareholders under points 7.6.1 and 7.6.2 and the amount of the subscribed capital of AB Lietuvos Energija reduced after the Spin-Off.
- 7.9. Upon determining that the number of shares calculated for the Shareholders under points 7.6.1 and 7.6.2 is lower than the subscribed capital of AB Lietuvos Energija reduced after the Spin-Off, the number of shares for the Shareholder who, pursuant to points 7.6.1 and 7.6.2, will receive the largest number of the shares of AB Lietuvos Energija after the Spin-Off, will be increased by a number equal to the difference between the number of shares calculated for the Shareholders under points 7.6.1 and 7.6.2 and the amount of the subscribed capital of AB Lietuvos Energija reduced after the Spin-Off.
- 7.10. The number of shares of AB Kauno HE held by each shareholder of AB Kauno HE after the Spin-Off of AB Lietuvos Energija shall be calculated by multiplying the number of shares of AB Lietuvos Energija held by the Shareholder by a factor of 0.0344909390 and by rounding the sum as follows:
- 7.10.1. Where the fraction of a number is equal to or more than 0.5, the number of shares of AB Kauno HE granted will be rounded up to the nearest whole number;
- 7.10.2. Where the fraction of a number is below 0.5, the number of shares of AB Kauno HE granted

- will be rounded down to the nearest whole number (in this case, the difference between the whole number and its fractions will not be subject to compensation by cash).
- 7.11. Shareholders of AB Kauno HE who, pursuant to the rules of exchange of the shares specified in point 7.10 hereof, will hold less than 1 share of AB Kauno HE after such rounding will each receive 1 share of AB Kauno HE.
- 7.12. Upon determining that the number of shares calculated for the Shareholders under points 7.10.1 and 7.10.2 exceeds the subscribed capital of AB Kauno HE, the number of shares for the Shareholder who, pursuant to points 7.10.1 and 7.10.2, will receive the largest number of the shares of AB Kauno HE, will be reduced by a number equal to the difference between the number of shares calculated for the shareholders under points 7.10.1 and 7.10.2 and the amount of the subscribed capital of AB Kauno HE.
- 7.13. Upon determining that the number of shares calculated for the Shareholders under points 7.10.1 and 7.10.2 is lower than the subscribed capital of AB Kauno HE, the number of shares for the Shareholder who, pursuant to points 7.10.1 and 7.10.2, will receive the largest number of the shares of AB Kauno HE, will be increased by a number equal to the difference between the number of shares calculated for the Shareholders under points 7.10.1 and 7.10.2 and the amount of the subscribed capital of AB Kauno HE.
- 7.14. The number of shares of AB Kruonio HAE held by each shareholder of AB Kruonio HAE after the Spin-Off of AB Lietuvos Energija shall be calculated by multiplying the number of shares of AB Lietuvos Energija held by the Shareholder by a factor of 0.1445590497 and by rounding the sum as follows:
- 7.14.1. Where the fraction of a number is equal to or more than 0.5, the number of shares of AB Kruonio HAE granted will be rounded up to the nearest whole number;
- 7.14.2. Where the fraction of a number is below 0.5, the number of shares of AB Kruonio HAE granted will be rounded down to the nearest whole number (in this case, the difference between the whole number and its fractions will not be subject to compensation by cash).
- 7.15. Shareholders of AB Kruonio HAE who, pursuant to the rules of exchange of the shares specified in point 7.14 hereof, will hold less than 1 share of AB Kruonio HAE after such rounding will each receive 1 share of AB Kruonio HAE.
- 7.16. Upon determining that the number of shares calculated for the Shareholders under points 7.14.1 and 7.14.2 exceeds the subscribed capital of AB Kruonio HAE, the number of shares for the Shareholder who, pursuant to points 7.14.1 and 7.14.2, will receive the largest number of the shares of AB Kruonio HAE, will be reduced by a number equal to the difference between the number of shares calculated for the shareholders under points 7.14.1 and 7.14.2 and the amount of the subscribed capital of AB Kruonio HAE.
- 7.17. Upon determining that the number of shares calculated for the Shareholders under points 7.14.1 and 7.14.2 is lower than the subscribed capital of AB Kruonio HAE, the number of shares for the Shareholder who, pursuant to points 7.14.1 and 7.14.2, will receive the largest number of the shares of AB Kruonio HAE, will be increased by a number equal to the difference between the number of shares calculated for the Shareholders under points 7.14.1 and 7.14.2 and the amount of the subscribed capital of AB Kruonio HAE.
- 7.18. For the minimum of 5 (five) working days after the General Meeting of Shareholders of the Company wherein the Shareholders of the Company will discuss the approval of the Spin-Off and of the Spin-Off Terms and other issues, trading in the shares of AB Lietuvos Energija will not be suspended with a view to allowing the shareholders of AB Lietuvos Energija to sell, at their discretion, their shareholdings in AB Lietuvos Energija to other persons.
- 7.19. Prior to the submittal of documents to the manager of the Registry of Legal Entities for registration of the newly-established companies, AB Kauno HE and AB Kruonio HAE, trading in the shares of AB Lietuvos Energija will be suspended. Trading in the shares of

AB Lietuvos Energija will be suspended not longer than by the date on which the manager of the Registry of Legal Entities will register the newly-established companies, AB Kauno HE and AB Kruonio HAE, and the Central Securities Depository of Lithuania will make the necessary entries in the securities accounts of the shareholders of the New Spin-Offs.

- 7.20. The subscribed capital and the number and nominal value of the shares of the Companies in operation after the Spin-Off will be as follows:
- 7.20.1. 100% (one hundred percent) of the shares of the Company continuing its activities after the Spin-Off will consist of 566 057 704 (five hundred sixty-six million fifty-seven thousand seven hundred and four) ordinary registered shares of the nominal value of LTL 1 (one litas), and the nominal value of all these shares and the subscribed capital of the Company will equal LTL 566 057 704 (five hundred sixty-six million fifty-seven thousand seven hundred and four litas).
- 7.20.2. 100% (one hundred percent) of the shares of AB Kauno HE established during the Spin-Off will consist of 23 782 035 (twenty-three million seven hundred eighty-two thousand and thirty-five) ordinary registered shares of the nominal value of LTL 1 (one litas), and the nominal value of all these shares and the subscribed capital of AB Kauno HE will equal LTL 23 782 035 (twenty-three million seven hundred eighty-two thousand and thirty-five litas).
- 7.20.3. 100% (one hundred percent) of the shares of AB Kruonio established during the Spin-Off will consist of 99 675 696 (ninety-nine million six hundred seventy-five thousand six hundred ninety-six) ordinary registered shares of the nominal value of LTL 1 (one litas), and the nominal value of all these shares and the subscribed capital of AB Kruonio HAE will equal LTL 99 675 696 (ninety-nine million six hundred seventy-five thousand six hundred ninety-six litas).
- 7.20.4. The formation of the owners' equity of the New Spin-Offs will be carried out pursuant to the principles laid down in Annexes 1, 2 and 3 hereto.

**8. PROCEDURE AND TERMS OF ISSUING TO SHAREHOLDERS SHARES OF COMPANIES IN OPERATION AFTER SPIN-OFF**

- 8.1. From registration at the Register of Legal Entities of a new version of the Articles of Association of the Company continuing operation after the spin-off the Shareholders shall be forfeited a corresponding number of the Company shares due to decrease of its share capital. From registration at the Register of Legal Entities of the New spin-off companies the Shareholders as per Spin-off Terms and Conditions shall acquire shares of the New spin-off companies.
- 8.2. Shares of each Company in operation shall be non-material and after the Spin-off basing on these Spin-off Terms and Conditions each of the Companies in operation or corresponding administrators of accounts shall make corresponding records certifying the forfeiture of the Company shares due to the decrease of the share capital and the records certifying the ownership right of AB Lietuvos energija Shareholders to shares of AB Kauno HE and AB Kruonio HAE not later than after the Central Securities Depository of Lithuania will have opened securities accounts of AB Kauno HE and AB Kruonio HAE.
- 8.3. After the Spin-off the shares of AB Kauno HE and AB Kruonio HAE are planned to be introduced for trade at AB NASDAQ OMX Vilnius stock exchange. In order to avoid any uncertainties, shareholders of AB Kauno HE and AB Kruonio HAE in confirmation of these Spin-off Terms and Conditions shall grant to the Boards of AB Kauno HE and AB Kruonio HAE all rights and authorizations to take necessary decisions and to submit applications for introducing the shares of these enterprises for trade at AB NASDAQ OMX Vilnius stock exchange as established by legal acts. No additional decision of the shareholders of AB Kauno HE and AB Kruonio HAE regarding introduction of the shares of the enterprises at

AB NASDAQ OMX Vilnius stock exchange shall be necessary.

**9. MOMENT FROM WHICH SHAREHOLDERS OF THE COMPANIES ENGAGED IN SPIN-OFF ARE GRANTED A RIGHT TO PROFIT OF THE COMPANIES IN OPERATION AFTER THE SPIN-OFF AND ALL TEMRS AND CONDITIONS RELATED TO THIS RIGHT**

- 9.1. Shareholders, who will become the shareholders of each Company in operation, shall be granted a right to profit of the Company in operation determined by the equity, assets, rights and duties contained in the Spin-off part and the Remaining part from the moment of signing the Acceptance Report, i.e. shareholders of a corresponding Company in operation shall acquire a right to receive, with reference to provisions of the Law on joint stock companies, dividends allocated by that Company in operation after the moment of signing the Acceptance Report.

**10. PRINCIPLES OF SPIN-OFF OF THE COMPANY PROPERTY, RIGHTS AND DUTIES**

- 10.1. During spin-off the Kaunas Hydroelectric Power Plant part shall be transferred to AB Kauno HE, and the Kruonis Pumped Storage Plant part shall be transferred to AB Kruonio HAE.
- 10.2. The activities pertaining to production of electricity and power storage at the Kaunas Hydroelectric Power Plant performed by the Company, i.e. a part of the Company activities part as entirety of the property, rights and duties, which organizationally composes an autonomous economic entity performing activity and being capable of functioning at its own discretion basing on these principles, shall be transferred to AB Kauno HE, unless stipulated otherwise in these Spin-off Terms and Conditions or in the Company Spin-Off Decision:
- 10.2.1. Defining AB Kauno HE assignable current and non-current assets and liabilities on 30 June 2009 the principles of composition of the draft balance sheets of 30 June 2009 provided for in Annex 1 to these Spin-off Terms and Conditions are followed as well as the draft balance sheets of 30 June 2009 attached in Annex 2 to these Spin-off Terms and Conditions, composed on the basis of the Company Interim Financial Accountability of 30 June 2009 and the principles of composition of the draft balance sheets of 30 June 2009 provided for in Annex 1 to these Spin-off Terms and Conditions;
- 10.2.2. The right to rent the land lot indicated in the agreement on rent of state land No N19/2001-0074 of 23 February 2001 shall be transferred to the AB Kauno HE.
- 10.2.3. All rights and duties assumed under agreements concluded by Lietuvos energija branch Kauno HE as well as the agreements concluded by the Company listed in Annex 4 to these Spin-off Terms and Conditions as indicated in clause 10.10 of the Spin-off Terms and Conditions below shall be transferred to AB Kauno HE;
- 10.2.4. All other property belonging to the Company by right of ownership or any other property at legal disposition by the Company related to the Kauno HE part, however which by any reasons is not directly indicated in these Spin-off Terms and Conditions, as well as any other property related to the Kauno HE part that can be purchased by the Company before signing of the Acceptance Report and that will be specified in the Acceptance Report shall be transferred to AB Kauno HE. The property mentioned in this clause shall be defined following the principles of composition of the Final draft balance sheets provided for in Annex 3 to these Spin-off Terms and Conditions as well as the Final draft balance sheets that will be attached to the Acceptance Report;
- 10.2.5. All other rights and duties of the Company related to the Kauno HE part and to the property transferred under these Spin-off Terms and Conditions belonging to the Company by right of ownership or to any other property at legal disposition by the Company entitled by the

Company during preparation of the Spin-off Terms and Conditions, which however by any reasons are not directly indicated in these Spin-off Terms and Conditions, as well as any other rights and duties related to the Kauno HE part and the property transferred under these Spin-off Terms and Conditions that can be entitled before signing of the Acceptance Report and that will be specified in the Acceptance Report shall be transferred to AB Kauno HE. The rights and duties mentioned in this clause shall be defined the principles of composition of the Final draft balance sheets provided for in Annex 3 to these Spin-off Terms and Conditions as well as the Final draft balance sheets that will be attached to the Acceptance Report.

- 10.3. The activities pertaining to production of electricity and power storage performed by the Kruonis Pumped Storage Plant, i.e. a part of the Company activities as entirety of property, rights and duties, which organizationally composes an autonomous economic entity performing activity and being capable of functioning at its own discretion basing on these principles, shall be transferred to AB Kruonio HAE, unless it is stipulated otherwise in these Spin-off Terms and Conditions or in the Company Spin-Off Decision:
- 10.3.1. Defining AB Kruonio HAE assignable current and non-current assets and liabilities on 30 June 2009 the principles of composition of the draft balance sheets of 30 June 2009 provided for in Annex 1 to these Spin-off Terms and Conditions are followed as well as the draft balance sheets of 30 June 2009 attached in Annex 2 to these Spin-off Terms and Conditions, composed on the basis of the Company Interim Financial Accountability of 30 June 2009 and the principles of composition of the draft balance sheets of 30 June 2009 provided for in Annex 1 to these Spin-off Terms and Conditions;
- 10.3.2. The right to rent the land lots indicated in the agreement on rent of state land No N49/06-0035 of 21 June 2006 and in the agreement on rent of state land No N49/06-0036 of 21 June 2006 shall be transferred to the AB Kruonio HAE;
- 10.3.3. All rights and duties assumed under agreements concluded by Lietuvos energija branch Kruonio HAE as well as the agreements concluded by the Company listed in Annex 4 to these Spin-off Terms and Conditions as indicated in clause 10.10 of the Spin-off Terms and Conditions below shall be transferred to AB Kruonio HAE;
- 10.3.4. All other property belonging to the Company by right of ownership or any other property at legal disposition by the Company related to the Kruonio HAE part, however which by any reasons is not directly indicated in these Spin-off Terms and Conditions, as well as all other property related to the Kruonio HAE part that can be purchased by the Company before signing of the Acceptance Report and that will be specified in the Acceptance Report shall be transferred to AB Kruonio HAE. The property mentioned in this clause shall be defined following the principles of composition of the Final draft balance sheets provided for in Annex 3 to these Spin-off Terms and Conditions as well as the Final draft balance sheets that will be attached to the Acceptance Report;
- 10.3.5. All other rights and duties of the Company related to the Kruonio HAE part and to the property transferred under these Spin-off Terms and Conditions belonging to the Company by right of ownership or any other property at legal disposition by the Company entitled by the Company during preparation of the Spin-off Terms and Conditions, which however by any reasons are not directly indicated in these Spin-off Terms and Conditions, as well as any other rights and duties related to the Kruonio HAE part and the property transferred under these Spin-off Terms and Conditions that can be entitled before signing of the Acceptance Report and that will be specified in the Acceptance Report shall be transferred to AB Kruonio HAE. The rights and duties mentioned in this clause shall be defined the principles of composition of the Final draft balance sheets provided for in Annex 3 to these Spin-off Terms and Conditions as well as the Final draft balance sheets that will be attached to the Acceptance Report.
- 10.4. Composition of the property, rights and duties transferred to the new spin-off companies at the moment of actual transfer shall be defined by Acceptance Reports according to actual

- condition on the day of concluding the Acceptance Reports or another day indicated in the Acceptance Report following the principles of composition of the Final draft balance sheets and the Final draft balance sheets that shall be attached to the Acceptance Report.
- 10.5. According to the Spin-off Terms and Conditions after separation from the Company of a Spin-off part and its transfer to the New Spin-off companies (or as appropriate, to a New Spin-off company), the Company that continues operation after the Spin-off shall preserve the property, rights and duties that have not been specifically assigned to the Spin-off part (i.e. the Remaining part), unless otherwise provided for in these Spin-off Terms and Conditions or in the Company Spin-Off Decision.
- 10.6. In case if the Company's rights and duties arising from one transaction (or in other cases, when corresponding rights and duties cannot be divided for the Companies in Operation) have to be assigned to several Companies in Operation, those Companies in Operation shall exert all reasonable efforts (e.g., conclude new transactions setting rights and duties as close as possible by content and financial effect to the rights and duties in the original transaction, which can be assigned to the Companies in Operation), so that a corresponding Company in Operation acquire rights and duties assignable to the spin-off part.
- 10.7. In case if consents/permissions by the other parties of transactions or by state or municipal institutions are necessary for transfer of corresponding rights and duties under the transactions or other rights and duties, the Company before completion of the Spin-off and the Companies in Operation after completion of the Spin-off shall exert all reasonable efforts in order to obtain such consents/permissions. If such consents are not obtained before signing the Acceptance Report, the Company and a corresponding New spin-off company shall exert all reasonable efforts for the New spin-off company to acquire rights and duties as close as possible by content and financial effect to the part of the rights and duties that cannot be obtained instead (e.g., conclude a new transaction setting similar rights and duties or obtain a corresponding permission or license).
- 10.8. During the Spin-off a corresponding New spin-off company shall take over (unless imperative legal acts stipulate otherwise) or as established by the law shall renew or obtain all licenses, permissions or consents that are necessary to perform its activity.
- 10.9. During the Spin-off employees of the Company employed at AB Lietuvos energija branch Kauno hidroelektrinė (except for elective staff) shall be transferred to AB Kauno HE, and the employees employed at AB Lietuvos energija branch Kruonio HAE (except for elective staff) shall be transferred to AB Kruonio. A corresponding New spin-off company shall take over labour contracts of such employees as well as all rights and duties of the employer from the moment of signing the Acceptance Report. Labour relationships of the Company employees, who are transferred during the Spin-off to a corresponding New spin-off company, shall not be terminated, rights and duties of the employees under their labour contracts shall remain including their job experience.
- 10.10. During the Spin-off all contracts previously concluded by AB „Lietuvos energija“ branch Kauno hidroelektrinė while performing its activities shall be transferred to AB Kauno HE, and all contracts previously concluded by AB „Lietuvos energija“ branch Kruonio HAE shall be transferred to AB Kruonio HAE. The contracts concluded by the Company listed in Annex 4 to these Spin-off Terms and Conditions shall also be transferred to AB Kauno HE and AB Kruonio HAE. A corresponding New spin-off company shall take over rights and duties arising from the contracts indicated in this clause from the moment of signing the Acceptance Report.
- 10.11. Should any ambiguities arise with regard to the property, rights and duties transferred to AB Kauno HE and AB Kruonio HAE, the Contract provisions shall be referred to first. If the arisen ambiguities cannot be solved by reference to the Contract provisions, then the documents below shall be referred to in the corresponding order: (i) principles indicated in Annex 3 of these Spin-off Terms and Conditions, the Final draft balance sheets and the Acceptance Report, (ii) Annexes 1 and 2 of these Spin-off Terms and Conditions, (iii) the

report on technical inspection provided for in clauses 3 of Annexes 3 and 4 of the Contract.

**11. OBLIGATIONS UPON COMPLETION OF THE SPIN-OFF**

- 11.1. Within 12 (twelve) months following completion of the Spin-Off, AB Kauno HE and AB Kruonio HAE (both companies in equal proportions, i.e., 25% each) will compensate for one half of the expenses incurred by the Company in connection with a technical and financial verifications which were necessary for the purposes of the Spin-Off as provided for in the Contract.
- 11.2. Within a reasonable period following completion of the Spin-Off, Kauno HE will be transferred, in accordance with the procedure laid down by legal acts, the right of ownership and/or lease to the land plot specified in contract No N19/2001-0074 on the lease of State-owned land of 23 February 2001. The land plot or a part thereof are necessary for the use, according to its purpose, of the real property owned by the Company, i.e. safety structures for checking the 110 kV electricity distribution unit and 110 kV circuit breakers and a D. C. installation, hence when transferring the right of ownership and/or lease to the land plot, a procedure for and the terms of use of the land plot a part thereof by the Company must be specified, including determination of required servitudes in compliance with the latest statements of assets and liability as divided between the Company and its branches.
- 11.3. Within a reasonable period following completion of the Spin-Off, Kruonio HAE will be transferred, in accordance with the procedure laid down by legal acts, the rights of ownership and/or lease to the land plots specified in contract No N49/06-35 on the lease of State-owned land of 21 June 2006 and contract No N49/06-36 on the lease of State-owned land of 21 June 2006. The land plot or a part thereof are necessary for the use, according to their purpose, of the real property belonging to the Company, i.e., 330 kV and 110 kV installations of the ASĮ electricity distribution unit, as well as the buildings and structures belonging in 100% to UAB Kruonio investicijos, which is a subsidiary of the Company, hence when transferring the rights of ownership and/or lease to the land plots, a procedure for and the terms of use of the land plot a part thereof by the Company must be specified, including determination of required servitudes.
- 11.4. Immediately after the Spin-Off, the Company and AB Kruonio HAE will conclude the contracts which will ensure technical possibilities for the continuous operation of the Company and AB Kruonio HAE in the future. Following the Spin-Off, all transactions between the Company and AB Kruonio HAE shall be concluded under market conditions. Where the price of the electricity sold or the services rendered by AB Kruonio HAE is regulated, AB Kruonio HAE shall sell electricity and the services at the prices specified by the State Control Commission for Prices and Energy.
- 11.5. Immediately following the Spin-Off, the Company and AB Kauno HE will conclude the contracts which will ensure technical possibilities for the continuous operation of the Company and AB Kauno HE in the future. Following the Spin-Off, all transactions between the Company and AB Kauno HE shall be concluded under market conditions. Where the price of the electricity sold or the services rendered by AB Kauno HE is regulated, AB Kauno HE shall sell electricity and the services at the prices specified by the State Control Commission for Prices and Energy.
- 11.6. Within 12 (twelve) months following completion of the Spin-Off, AB Kauno HE must compensate to the Company for the amount of LT 25 451 223 (twenty-five million four hundred fifty-one thousand two hundred and twenty-three Litass) paid by the Company until 30 June 2009 under contract No 681-05 concluded on 7 July 2005 between the Company and Alstom Power Sweden AB regarding the renovation and modernisation of a part of Kauno HE, also for acquisition of fixed assets under additional contracts on modernisation of the power plant, for other transactions on acquisition of assets as entered into after 27 May 2008 in the course of normal operation. Within the time limit indicated in this

paragraph, AB Kauno HE must also compensate to the Company for acquisition of fixed assets under the contracts on the basis of which additional investments of the Company (not exceeding LTL 3 720 000) will be made into the fixed assets of a part of Kauno HE planned to be spined-off in continuation of reconstruction and which were approved by the extraordinary general meeting of shareholders of the Company of 8 September 2009. Within 30 calendar days following the spin-off, the Company and AB Kauno HE must conclude a contract on a schedule of repayment of the amounts payable to the Company under this paragraph. In the absence of such a schedule, it shall be held that AB Kauno HE must repay on a monthly basis by the 30<sup>th</sup> day of each month 1/12 of the amounts payable to the Company until complete settlement with the Company under these Spin-Off Terms. In the event of a failure to timely compensate for the amounts indicated in this paragraph, a late payment interest shall be paid in the amount of 0,04% for each day of delay.

- 11.7. Within 12 (twelve) months following completion of the Spin-Off, AB Kruonio HAE must compensate to the Company for the amount of LTL 11 067 293 (eleven million sixty-seven thousand two hundred and ninety-three Litai) paid by the Company until 30 June 2009 under contract of 5 November 2007 concluded between the Company and FIMA UAB on installation at Kruonio HAE of break-in alarm systems and works of installation of physical security systems, also for other transactions on acquisition of assets as entered into after 27 May 2008 in the course of normal operation. Within the time limit indicated in this paragraph, AB Kruonio HAE must also compensate to the Company for acquisition of fixed assets under the contracts on the basis of which additional investments of the Company (not exceeding LTL 690 000) will be made into the fixed assets of a part of AB Kruonio HAE planned to be spined-off in continuation of operation and which were approved by the extraordinary general meeting of shareholders of the Company of 8 September 2009. Within 30 calendar days following the spin-off, the Company and AB Kruonio HAE must conclude a contract on a schedule of repayment of the amounts payable to the Company under this paragraph. In the absence of such a schedule, it shall be held that AB Kruonio HAE must repay on a monthly basis by the 30<sup>th</sup> day of each month 1/12 of the amounts payable to the Company until complete settlement with the Company under these Spin-Off Terms. In the event of a failure to timely compensate for the amounts indicated in this paragraph, a late payment interest shall be paid in the amount of 0,04% for each day of delay.

**12. TRANSFER OF THE SPIN-OFF PART TO THE NEW SPIN-OFFS ESTABLISHED AFTER THE SPIN-OFF**

- 12.1. According to a respective Acceptance and Transfer Report, the Spin-Off Part shall be transferred to the respective New Company as of signature of the Acceptance and Transfer Report or another point indicated in the Acceptance and Transfer Report.
- 12.2. Immediately after completion of the Spin-Off, the Draft Balance Sheets will be drawn up indicating the equity capital, assets and liabilities of the Company remaining with the Company following the Spin-Off, and the equity capital, assets and liabilities of the New Companies actually transferred thereto in compliance with the principles and according to the procedure specified in Annex 3 of these Spin-Off Terms.
- 12.3. On the basis of the Draft Balance Sheets, the Company shall draw up an Acceptance and Transfer Report providing for the composition of the assets, rights and duties transferred to the New Companies at the moment of factual transfer to the New Companies according to the actual status as on the day of execution of the Acceptance and Transfer Reports or another day specified in the Acceptance and Transfer Report and in compliance with the principles of drawing up the Draft Balance Sheets as well as the Draft Balance Sheets, which will be annexed to the Acceptance and Transfer Report.
- 12.4. The Company shall submit the Acceptance and Transfer Report drawn up in accordance with the procedure provided for in this paragraph to the New Companies (i.e., the newly



appointed heads of the New Companies). The New Companies (their authorised persons) must, within 10 (ten) days after the receipt of the Acceptance and Transfer Report, sign the Acceptance and Transfer Report or submit to the Company their written observations and/or objections regarding the Acceptance and Transfer Report, which must be specified clearly and accurately and be reasoned. For the sake of clarity, the New Companies may not submit objections regarding the principles referred to in these Spin-Off Terms, annexes thereto or the decision on the Company's spinning-off.

- 12.5. Where the New Companies (or one of them) do not sign the Acceptance and Transfer Report within the time limit laid down in paragraph 12.4 and fail to submit observations, it shall be held that the Company and the New Companies (or one of them) have agreed on the content of the Acceptance and Transfer Report and such a Acceptance and Transfer Report is fully valid. This shall give rise to the same consequences as would arise to the Company and the New Companies under these Spin-Off Terms upon signature of the Acceptance and Transfer Report.
- 12.6. Where the New Companies (or one of them) does not sign the Acceptance and Transfer Report and submits observations regarding the Acceptance and Transfer Report within the time limit laid down in paragraph 12.4, the Company and the New Companies (or one of them) must within 10 (ten) days agree on the content of the Acceptance and Transfer Report and sign it. Co-ordination of the content of the Acceptance and Transfer Report shall also adhere to paragraph 10.11 of these Spin-Off Terms.
- 12.7. Transfer of the assets subject to registration and assigned to the Spin-Off Part to the respective New Company must be registered where such a registration is obligatory according to imperative legal norms. The registration shall be carried out immediately following signature of the Acceptance and Transfer Report, unless the imperative legal norms provide otherwise.
- 12.8. The rights, duties and concluded transactions of the Company shall not change and shall not cease as a result of the Spin-Off, unless the terms and conditions thereof provide otherwise.
- 12.9. As of signature of the Acceptance and Transfer Report or after another point specified in the Acceptance and Transfer Report, the respective rights and duties included in the Spin-Off Part as well as concluded transactions shall be transferred to the respective New Company and shall become the rights and duties as well as concluded transactions of that New Company as though they had been such originally.
- 12.10. As of signature of the Acceptance and Transfer Report or after another point specified in the Acceptance and Transfer Report, all transactions assigned to the Spin-Off Part shall be included in the accounting of a New Company, unless imperative legal norms or the Spin-Off Terms provide otherwise.
- 12.11. The rights and duties arising after signature of the Acceptance and Transfer Report or after another point specified in the Acceptance and Transfer Report, where they arise from the Spin-Off Part or are related thereto, shall be assigned to the respective New Company to which the respective assets have been transferred.
- 12.12. The Company continuing operation after the Spin-Off shall preserve the entire Remaining Part, i.e., it shall not be transferred to the New Companies, and they shall not be subject to any related rights and duties.
- 12.13. In addition to the initial Acceptance and Transfer Report, the Company will present to AB Kruonio HAE and AB Kauno HE contracts on production of electricity, capacity reservation, information technologies and telecommunications and other services and loans in order to ensure the technical possibilities of continuous operation of the Company, AB Kruonio HAE and AB Kauno HE for the coming 6 (six) months. It shall be held that AB Kruonio HAE and AB Kauno HE have accepted the conditions offered by the Company where AB Kruonio HAE and AB Kauno HE do not decline the offered conditions in writing within 10 (ten) days. In any case, AB Kruonio HAE and AB Kauno HE shall have the right

to decline the services 1 (one) month in advance subject to prior notification of the Company in writing.

**13. RIGHTS GRANTED BY THE COMPANIES CONTINUING AFTER THE SPIN-OFF TO OWNERS OF SHARES OF SPECIFIC CLASSES, BONDS AND OTHER SECURITIES**

- 13.1. The only securities issued by the Company, with the exception of cheques and bills, if any, shall be its ordinary registered shares belonging in their entirety by the right of ownership to the Shareholders.
- 13.2. At the time of signature of the Acceptance and Transfer Report, the only securities issued by the Continuing Companies, with the exception of cheques and bills, if any, must be their ordinary registered shares.
- 13.3. The shares of the Company continuing its operation following the Spin-Off shall, as of registration of the amended articles of association of the Company in the Legal Persons' Register, grant their owner the property and non-property rights of shareholders specified in the Law on Companies and the articles of association of the Company continuing its operation after the Spin-Off, with the exception of provisions of paragraph 9.1 of these Spin-Off Terms. The shares of the respective New Company shall, from adoption of a decision of the spin-off of the Company until registration of that New Company in the Legal Persons' Register, grant to a Shareholder the property and non-property rights specified in the Law on Companies, the Spin-Off Terms and the adopted articles of association of the New Company. The shares of the New Company shall, as of registration of the New Company in the Legal Persons' Register, grant to their owner the property and non-property rights specified in the Law on Companies and the articles of association of the New Company, with the exception of provisions of paragraph 9.1 of these Spin-Off Terms.

**14. SPECIAL RIGHTS GRANTED TO BODIES OF THE COMPANY (MEMBERS OF THE BODIES) AND THE EXPERTS ASSESSING THE SPIN-OFF TERMS**

- 14.1. On the day of execution of the Spin-Off Terms, bodies of the Company shall, in compliance with the articles of association of the Company, consist of the general meeting of shareholders, the head and the board; the supervisory board shall not be formed.
- 14.2. The head of the Company or another person authorised by him shall be granted the right:
  - 14.2.1. to sign, execute and (where necessary) present to the Shareholders on behalf of the Company a report about major changes in the assets, rights and duties of the Company, amendment of the articles of association of the Company and amended version of the articles of association of the Company as well as other documents required for registration of amendments of the articles of association of the Company in the Legal Persons' Register, also a Acceptance and Transfer Report;
  - 14.2.2. to convene, on behalf of the New Companies, the general meetings of their shareholders as indicated in paragraph 14.3, and carry out other actions relating to organisation of these general meetings of shareholders.
- 14.3. The management bodies of the respective New Company, which are elected by the general meeting of its shareholders (i.e., Board members of the New Companies), must be elected at the general meeting of shareholders of that New Company, and the heads of the New Companies must be appointed by the day of its registration in the Legal Persons' Register. The mentioned general meeting of shareholders may also decide on other issues assigned to its sphere of competence according to the law or the articles of association of the New Company as adopted by it.
- 14.4. The head of the respective New Company shall, on behalf of the New Company until its

registration in the Legal Persons' Register, have the right:

- 14.4.1. to sign, execute and present the articles of association of the New Company and other documents required for registration of the New Company in the Legal Persons' Register;
- 14.4.2. to sign, execute and present the Acceptance and Transfer Report and the Draft Balance Sheets; and
- 14.4.3. to adopt decisions on other issues assigned to his sphere of competence as the head of the New Company according to the law or adopted articles of association of the New Company.
- 14.5. The Audit Firm must prepare a report on assessment of these Spin-Off Terms under subparagraph 4.2.4, which shall indicate *inter alia*:
  - 14.5.1. findings on the correctness and validity of the ratio of exchange of shares;
  - 14.5.2. the methods used to determine the ratio of exchange of shares and conclusions regarding the appropriateness of these methods and their impact when determining the value of the shares; and
  - 14.5.3. a description of the difficulties arising in the process of assessment.
- 14.6. In the course of preparation of a report on assessment of the Spin-Off Terms, the Audit Firm shall have:
  - 14.6.1. the right to obtain required documents (or their copies) as well as the information required for proper preparation of the report on assessment of the Spin-Off Terms and make use of the entire available information;
  - 14.6.2. the right to receive various clarifications relating to various aspects of the Spin-Off Terms;
  - 14.6.3. other rights provided for in legal acts.

## **15. ANNEXES**

- 15.1. The following Annexes shall be attached to the Spin-Off Terms:
  - 15.1.1. Principles of drawing up of the draft balance sheets of 30 June 2009;
  - 15.1.2. Draft balance sheets of 30 June 2009;
  - 15.1.3. Principles of drawing up of draft balance sheets;
  - 15.1.4. Contracts transferred to AB Kauno HE and AB Kruonio HAE;
  - 15.1.5. Interim statements of the Company of 30 June 2009;
  - 15.1.6. Audit review report on the interim financial accounts of AB Lietuvos energija.

On behalf of AB Lietuvos energija:

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Aloyzas Koryzna  
Chairman of the Board

**ANNEX 1**  
**The principles of drawing up draft balance sheets as at 30 June 2009**

**I. The fundamentals of drawing up draft balance sheets as at 30 June 2009**

The draft balance sheets of the companies split from Lietuvos Energija AB, i.e. Kaunas HE AB and Kruonis HAE AB, as at 30 June 2009 were prepared based on the following:

1. The decision of the Extraordinary General Meeting of Shareholders of Lietuvos Energija AB of 4 December 2008 to approve the preparation of the terms and conditions of legal and functional unbundling of Kaunas Hydropower Plant and Kruonis Pumped Storage Plant from joint-stock company Lietuvos Energija, as provided by the Share Subscription Agreement of LEO LT AB of 27 May 2008, and
2. The decision of the Extraordinary General Meeting of Shareholders of Lietuvos Energija AB of 8 September 2009:
  - a) to approve additional investments of Lietuvos Energija AB:
    - i) in non-current assets of Kaunas HE to be unbundled, which are required to continue the reconstruction of Kaunas HE and shall not exceed LTL 3 720 000, and
    - ii) in non-current assets of Kruonis HAE to be unbundled, which are required for ensuring the operation of Kruonis HAE and shall not exceed LTL 690 000.
  - b) To charge the Company's Board with discussing the designation of assets, rights and obligations acquired within the framework of investments made before the completion of unbundling and other issues related thereto while preparing the spin-off terms according to the decision of the Extraordinary General Meeting of Shareholders of 4 December 2008 on the unbundling of branch companies Kruonis HAE and Kaunas HE from Lietuvos Energija AB:
3. The provisions of the Share Subscription Agreement of LEO LT AB of 27 May 2008 and Annexes 3 and 4 to the Agreement of 29 April 2008 (except the cases specified below), the data of balance sheets of Kaunas HE and Kruonis HAE drawn up as at 31 December 2007 and 30 June 2009, conclusions of the Company's legal and financial consultants, and the parent company's guidelines for unbundling.

**II. Designation of non-current assets**

1. All intangible and tangible non-current assets as well as financial assets (headings I, II and III in Part A of the Balance Sheet) recorded in the balance sheets of Kaunas HE and Kruonis HAE as at 30 June 2009 shall be designated to these branch companies of Lietuvos Energija AB, except non-current assets – electro-technical equipment – that shall be designated to Lietuvos Energija AB (Annexes 3 and 4 to the Agreement, paragraph 2.2).
2. The heading 'Tangible non-current assets' in the balance sheets of Kaunas HE and Kruonis HAE shall be corrected by deducting the amount of equipment transferred: based on the Agreement and the Technical Check performed, LTL 28 556 000 worth of non-current assets of Kaunas HE and LTL 255 714 000 worth of non-current assets of Kruonis HAE will be transferred to Lietuvos Energija AB. Both individual units of assets (inventory numbers) and parts of individual units of assets (objects) shall be transferred to Lietuvos Energija AB (in the case of Kruonis HAE). The assets in the balance sheet of Lietuvos Energija AB as at 31 December 2007 were carried at the mean cost price (used at the time of the technical check) and at a revalued amount, which significantly increased as a result of revaluation, in the balance sheet as at 31 December 2008. Whereas the units of assets transferred are composed of many objects and no significant investments were made in them during the period from the submission of the Technical Commission's certificates to 31 December 2008, the management presumes that the proportional allocation of revaluation effects to the mean cost price of individual parts of the unit of assets as at 31 December 2007 is correct and reasonable.

3. The following assets acquired in 2008–2009 shall be included in the value of assets designated to Kaunas HE and recorded as at 30 June 2009:
  - a) LTL 21 777 001 (twenty-one million seven hundred seventy-seven thousand and one litas) worth of assets acquired under paragraph 2.6 of Annex 3 to the Agreement (Agreement of 7 July 2005 between Lietuvos Energija AB and Alstom Power Sweden AB, which makes up LTL 43 123 306) and reduced by the amounts referred to in paragraph 2.6 of Annex 3 to the Agreement that have been received by Lietuvos Energija AB under the Assistance Agreement since 1 January 2008 (which makes up LTL 21 346 305);
  - b) LTL 3 539 678 (three million five hundred thirty-nine thousand six hundred seventy-eight litas) worth of assets acquired until July 30 June 2009, the acquisition of which was directly related to the performance of the Agreement of 7 July 2005 between Lietuvos Energija AB and Alstom Power Sweden AB;
  - c) LTL 134 544 (one hundred thirty-four thousand five hundred forty-four litas) worth of assets acquired under paragraph 2.11 of Annex 3 to the Agreement. Paragraph 2.11 of the Agreement covers transactions related to asset improvements;
  - d) And other assets, the acquisition whereof was recorded after 27 May 2008 under open-ended agreements concluded until 27 May 2008.
4. The following assets acquired in 2008–2009 shall be included in the value of assets designated to Kruonis HAE and recorded as at 30 June 2009:
  - a) LTL 10 594 321 (ten million five hundred ninety-four thousand three hundred twenty-one litas) worth of assets acquired under paragraph 2.6 of Annex 4 to the Agreement (the Agreement of 5 November 2007 between Lietuvos Energija AB and Fima UAB);
  - b) LTL 250 000 (two hundred fifty thousand litas) worth of assets acquired under paragraph 2.11 of Annex 4 to the Agreement. Paragraph 2.11 of the Agreement covers transactions related to asset improvements;
  - c) LTL 222 973 (two hundred twenty-two thousand nine hundred seventy-three litas) worth of assets exceeding paragraph 2.11 of Annex 4 to the Agreement and corresponding to paragraph 2.10 of Annex 4 to the Agreement. Paragraph 2.10 of Annex 4 to the Agreement also provides for transactions related to asset maintenance and therefore Transactions performed within the framework of asset maintenance (major repairs) corresponded to the activities conducted by Kruonis HAE until 31 December 2007;
  - d) And other assets, the acquisition whereof was recorded after 27 May 2008 under open-ended agreements concluded until 27 May 2008.

### **III. Designation of current assets**

All current assets (headings I to IV in Part B of the Balance Sheet) recorded in the balance sheets of Kaunas HE and Kruonis HAE as at 30 June 2009 shall be designated to these branch companies.

### **IV. Designation of equity capital**

The difference in the values of assets and liabilities transferred to the New Companies shall be compensated by profit (loss) brought forward.

#### **1. Authorised capital**

The authorised capital shall be distributed in proportion to the net assets of Lietuvos Energija AB, depending on the share of assets of the power plants in the Company as at 30 June 2009 (see the table). The net assets shall be calculated by deducting the total amount of financial grants and liabilities directly designated to the power plants from the total assets designated to Kaunas HE or Kruonis HAE, respectively.

If the value of the authorised capital calculated according to the above proportions is negative, the minimum value of the authorised capital under the Law on Companies of the Republic of Lithuania shall be established at LTL 150,000.

Allocation of authorised capital as at 30 June 2009, LTL

	<b>Total assets</b>	<b>All liabilities and financial grants</b>	<b>Net assets</b>	<b>Coefficient</b>	<b>Authorised capital, LTL</b>
AB LE	2,824,177,768	713,526,861	2,110,650,907	0.8209500113	566,057,704
KHAE	415,723,867	44,064,588	371,659,279	0.1445590497	99,675,696
KHE	149,628,877	60,953,159	88,675,718	0.0344909390	23,782,035
<b>total</b>	<b>3,389,530,512</b>	<b>818,544,608</b>	<b>2,570,985,904</b>	<b>1.00</b>	<b>689,515,435</b>

## 2. Reserves

Revaluation reserves shall be designated to Kaunas HE and Kruonis HAE, taking into account the amount of the revaluation reserve recorded in the balance sheets of Kaunas HE and Kruonis HAE as at 30 June 2009 and adjusting (reducing) it by the amount of the revaluation reserve of electro-technical property transferred to Lietuvos Energija AB.

Due to the transfer of fuel oil storage facilities, the legal reserve and the capital reduction reserve shall be allocated in proportion to the net assets of Lietuvos Energija AB, depending on the share of net assets of the power plants in the Company as at 30 June 2009. If the value of net assets is negative, the legal reserve shall make up 10% of the authorised capital.

## 3. Profit (loss) brought forward

Profit (loss) brought forward shall compensate for the difference in the values of assets and liabilities transferred to the New Companies (see the table).

Allocation of profit (loss) brought forward as at 30 June 2009, LTL

	<b>Profit (loss) brought forward</b>
Lietuvos Energija (without branches)	1,168,239,440
Kruonis HAE AB	265,107,626
Kaunas HE AB	64,715,099
<b>Lietuvos Energija AB – total</b>	<b>1,498,062,165</b>

## V. **Designation of financial grants**

All financial grants (Part D of the Balance Sheet) included in the balance sheet of Kaunas HE as at 30 June 2009 shall be designated to this branch company.

## **VI. Designation of non-current liabilities**

The share of deferred corporate income tax related to the revaluation of assets of the New Companies shall be designated to the New Companies (heading I.2 in Part E of the Balance Sheet):

1. The deferred corporate income tax of Kaunas HE recorded in the balance sheet of the power plant was reduced in view of the transfer of electro-technical equipment and increased in view of the results of previous revaluation of the mean cost price, revaluation at market value, and corporate income tax reductions applied to the invested assets, which were recorded in the balance sheet of Lietuvos Energija AB until the draft balance sheets of 30 June 2009 were drawn up;
2. the deferred corporate income tax of Kruonis HAE recorded in the balance sheet of the power plant was reduced in view of the transfer of electro-technical equipment and increased in view of the results of previous revaluation of the mean cost price, revaluation at market value, and corporate income tax reductions applied to the invested assets, which were recorded in the balance sheet of Lietuvos Energija AB until the draft balance sheets of 30 June 2009 were drawn up.

## **VII. Designation of current liabilities**

1. All current liabilities (headings II.1 – II.7 in Part E of the Balance Sheet) recorded in the balance sheets of Kaunas HE and Kruonis HAE as at 30 June 2009 shall be designated to these branch companies.
2. Internal settlements with Lietuvos Energija AB shall be eliminated from the calculations, as capital had not been reflected in the balance sheets of the branch companies, and internal settlements were therefore formal records intended to even the shares of the branch company's assets, equity and liabilities and did not correspond to the description of liabilities according to accounting standards.
3. The draft balance sheets include amounts payable by Kaunas HE to Lietuvos Energijai AB, which Lietuvos Energija AB paid for the acquisition of non-current assets under paragraph 3(a), (b) and (c) of Part II of this Annex.
4. The draft balance sheets include amounts payable by Kruonis HAE to Lietuvos Energija AB, which Lietuvos Energija AB paid for the acquisition of non-current assets under paragraph 4(a), (b) and (c) of Part II of this Annex.
5. Financial liabilities of Lietuvos Energija AB shall not be divided, as financial liabilities as at 31 December 2007 were not recorded in the balance sheets of Kaunas HE and Kruonis HAE, and therefore any division thereof would make it difficult to meet the provision of the Agreement stating that liabilities must be unbundled and transferred to Kaunas HE AB and Kruonis HAE AB to the extent and at values corresponding to the volume of liabilities recorded in the balance sheets of Kaunas HE and Kruonis HAE as at the above date, with allowable variations of a maximum of LTL 100,000.



## ANNEX 2

### Draft Balance-Sheets as 30 June 2009

Bal.	DRAFT	Actual balance-sheet as of 31 December 2007			Actual balance-sheet as of 30 June 2009			Draft balance-sheet as of 30 June 2009		
eil.	BALANCE-SHEETS	AB Lietuvos energija - total	of which Kruonis PSP	of which Kaunas HPP	AB Lietuvos energija - total	of which Kruonis PSP	of which Kaunas HPP	AB Lietuvos energija	Kruonis PSP	Kaunas HPP
A.	<b>Total non-current assets</b>	<b>2 605 779 217</b>	<b>421 156 283</b>	<b>111 523 161</b>	<b>2 983 738 381</b>	<b>440 703 304</b>	<b>152 345 591</b>	<b>2 419 116 459</b>	<b>415 131 916</b>	<b>149 490 006</b>
I.	<b>Intangible assets</b>	<b>5 003 411</b>	<b>60 295</b>	<b>6 695</b>	<b>2 306 298</b>	<b>20 978</b>	<b>5</b>	<b>2 285 315</b>	<b>20 978</b>	<b>5</b>
II.	<b>Non-current tangible assets</b>	<b>2 544 042 076</b>	<b>420 792 004</b>	<b>111 516 466</b>	<b>2 938 161 231</b>	<b>440 442 179</b>	<b>152 345 586</b>	<b>2 373 800 439</b>	<b>414 870 791</b>	<b>149 490 001</b>
II.1	Land	83 629			286 000			286 000	0	0
II.2	Buildings	2 039 179 845	340 962 059	62 556 796	300 498 828	125 456 241	15 370 961	159 671 626	125 456 241	15 370 961
	Property, plant and equipment				2 414 301 270	304 819 329	85 174 435	2 052 734 479	279 247 941	82 318 850
II.3	Machinery and equipment	225 922 284	72 870 551	4 548 669					0	0
II.4	Vehicles	8 591 041	309 762	488 146	7 008 687	342 335	343 800	6 322 552	342 335	343 800
II.5	Other equipment, devices, tools and instruments	90 646 529	1 982 587	394 808	70 130 631	6 219 521	338 607	63 572 503	6 219 521	338 607
II.6	Constructions in progress	200 069 599	4 632 803	43 528 047	136 959 638	3 571 170	51 117 783	82 270 685	3 571 170	51 117 783
II.7	Other tangible assets	10 549 149	34 242		8 976 177	33 583		8 942 594	33 583	0
III.	<b>Financial non-current assets</b>	<b>56 733 730</b>	<b>303 984</b>	<b>0</b>	<b>43 270 852</b>	<b>240 147</b>	<b>0</b>	<b>43 030 705</b>	<b>240 147</b>	<b>0</b>
B.	<b>Total current assets</b>	<b>139 398 839</b>	<b>551 311</b>	<b>111 165</b>	<b>369 273 613</b>	<b>591 951</b>	<b>138 871</b>	<b>405 061 309</b>	<b>591 951</b>	<b>138 871</b>
I.1	Inventories	6 143 570	474 864	71 373	3 953 265	472 625	41 630	3 439 010	472 625	41 630
I.2	Prepayments	2 137 266	13 376	18 141	7 507 602	96 858	52 033	7 358 711	96 858	52 033
II.	<b>Amounts receivable over one year</b>	<b>116 551 556</b>	<b>35 996</b>	<b>555</b>	<b>213 432 425</b>		<b>2 771</b>	<b>249 948 172</b>	<b>0</b>	<b>2 771</b>
	<i>of which from power plants</i>							<b>36 518 518</b>	<b>0</b>	<b>0</b>
	<b>Other current assets</b>				<b>79 705 442</b>			<b>79 705 442</b>	<b>0</b>	<b>0</b>
IV.	Cash	14 566 447	27 075	21 096	64 674 879	22 468	42 437	64 609 974	22 468	42 437
	<b>TOTAL ASSETS</b>	<b>2 745 178 056</b>	<b>421 707 594</b>	<b>111 634 326</b>	<b>3 353 011 994</b>	<b>441 295 255</b>	<b>152 484 462</b>	<b>2 824 177 768</b>	<b>415 723 867</b>	<b>149 628 877</b>
C.	<b>Equity</b>	<b>2 210 040 595</b>	<b>6 562 585</b>	<b>-8 147 211</b>	<b>2 570 985 904</b>	<b>23 226 111</b>	<b>-3 769 162</b>	<b>2 110 650 907</b>	<b>371 659 279</b>	<b>88 675 718</b>
LI	<b>Authorised capital</b>	<b>689 515 435</b>			<b>689 515 435</b>			<b>566 057 704</b>	<b>99 675 696</b>	<b>23 782 035</b>
II.	Share premium	2 744			2 744			2 253	397	95
	Revaluation reserve				378 230 601	22 289 110	133 268	372 103 128	6 127 473	0
III.1	Statutory reserve	68 951 544			68 951 544			56 605 771	9 967 570	2 378 203
III.2	Other reserves	1 402 660 714			-63 776 585			-52 357 388	-9 219 483	-2 199 714
	<i>of which reserve re assessment of non-current assets</i>	<i>2 268 863</i>						<i>0</i>	<i>0</i>	<i>0</i>
	<i>reserve due to transfer of fuel oil storage facilities</i>	<i>1 777 000</i>			<i>-63 776 585</i>			<i>-52 357 388</i>	<i>-9 219 483</i>	<i>-2 199 714</i>
	<i>investment reserve</i>	<i>160 637 000</i>						<i>0</i>	<i>0</i>	<i>0</i>
	<i>reserve for support, tantiems, bonuses</i>									
	<i>other reserves</i>	<i>1 700 000</i>						<i>0</i>	<i>0</i>	<i>0</i>
IV.	Retained earnings /loss	48 910 158	6 562 585	-8 147 211	1 498 062 165	937 001	-3 902 430	1 168 239 439	265 107 626	64 715 095
D.	<b>Grants and subsidies</b>	<b>50 818 992</b>		<b>7 840 144</b>	<b>65 021 124</b>		<b>28 683 886</b>	<b>36 337 238</b>	<b>0</b>	<b>28 683 886</b>
E.	<b>Total payables and liabilities</b>	<b>484 318 469</b>	<b>415 145 009</b>	<b>111 941 393</b>	<b>717 004 966</b>	<b>418 069 144</b>	<b>127 569 738</b>	<b>677 189 623</b>	<b>44 064 588</b>	<b>32 269 273</b>
I	<b>Total amounts payable in one year</b>	<b>295 927 420</b>	<b>0</b>	<b>0</b>	<b>383 375 271</b>	<b>5 572 277</b>	<b>33 317</b>	<b>345 635 323</b>	<b>31 516 063</b>	<b>6 223 885</b>
I.1.1	Financial debts to credit institutions	61 902 608			13 811 200			13 811 200	0	0
	<i>of which relending</i>	<i>13 811 200</i>							0	0
I.1.2	Other financial debts	25 896 000			39 128 245			39 128 245	0	0
I.2	Deferred taxes	208 128 812			330 435 826	5 572 277	33 317	292 695 878	31 516 063	6 223 885
II	<b>Total current liabilities</b>	<b>188 391 049</b>	<b>415 145 009</b>	<b>111 941 393</b>	<b>333 629 695</b>	<b>412 496 867</b>	<b>127 536 421</b>	<b>331 554 300</b>	<b>12 548 525</b>	<b>260 453 388</b>
II.1	of which – long-term debts	2 022 122			25 896 000			25 896 000	0	0
II.3	Debts to suppliers	145 304 085	1 302 229	500 153	129 947 874	734 466	29 333	129 184 075	734 466	29 333
	<i>of which relending to power plants</i>								0	0
II.4	Prepayments received	21 462 673			11 385 279	593		11 385 279	0	0
II.5	Income tax and social insurance liabilities	4 103 616			22 670 088			22 670 088	0	0
II.6	Liabilities related to employment relations	1 221 855	201 127	65 476	2 523 072	309 740	141 019	2 072 313	309 740	141 019
II.7	Other amounts payable	14 276 698	267 058	106 555	141 207 382	437 025	423 812	140 346 545	437 025	423 812
	Intergroup settlements LE		413 374 595	111 269 209		411 015 043	126 942 257		0	0
	Amounts payable to LE for assets, acquired in 2008 and over the first 6 months of 2009								11 067 294	25 451 224
									0	0
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2 745 178 056</b>	<b>421 707 594</b>	<b>111 634 326</b>	<b>3 353 011 994</b>	<b>441 295 255</b>	<b>152 484 462</b>	<b>2 824 177 768</b>	<b>415 723 867</b>	<b>149 628 877</b>

## **ANNEX 3**

### **Principles of Drawing up Draft Balance-Sheets**

#### **I. Basis for Drawing Up Draft Balance-Sheets**

Draft balance-sheets of the companies being unbundled from AB Lietuvos energija – AB Kaunas HPP and AB Kruonis PSP – shall be drawn up in accordance with:

1. The Resolution of the Extraordinary Shareholders' Meeting of AB Lietuvos energija of 4 December 2008 “To approve the drafting of the terms and conditions for legal and functioning unbundling of Kaunas Hydro Power Plant and Kruonis Pumped Storage Plant from joint stock company (AB) Lietuvos energija, as provided for in the Share Subscription Agreement of LEO, LT of 27 May 2008”, and
2. The Resolution of the Extraordinary General Shareholders' Meeting of AB Lietuvos energija of 8 September 2009:
  - a) to approve the additional investments of AB Lietuvos energija:
    - i) into the non-current assets of Kaunas HPP envisaged to be unbundled, necessary to continue the reconstruction of Kaunas HPP, not exceeding LTL 3720 thousand, and
    - ii) into the non-current assets of Kruonis PSP, envisaged to be unbundled, necessary to ensure the operations of Kruonis PSP, not exceeding LTL 690 thousand.
  - b) to task the Management Board of the Company with defining the attribution of the assets, rights and obligations under the investments made before the closure of the spin-off and other issues related thereto while drafting the terms and conditions of the spin-off in accordance with the Resolution of the Extraordinary Shareholders' Meeting of AB Lietuvos energija of 4 December 2008 “Spin-off the affiliates Kaunas Hydro Power Plant and Kruonis Pumped Storage Plant from AB Lietuvos energija”:
3. In accordance with the provisions of the Share Subscription Agreement of LEO LT, AB of 27 May 2008 and Annexes 3 and 4 thereof (except for the cases referred to hereinbelow), the data of the balance-sheets of Kaunas HPP and Kruonis PSP for the relevant date, the opinions of legal and financial consultants of the Company and the Guidelines on the Spin-Off by the Parent Company.

#### **II. Date of Drawing up Draft Balance-Sheets**

The draft balance-sheets of the companies being unbundled from AB Lietuvos energija – AB Kaunas HPP and AB Kruonis PSP – shall be drawn up for the last day of the respective month.

#### **III. Attribution of Non-Current Assets**

1. All non-current intangible, tangible and financial assets (Balance-Sheet, Part A, items I, II and III) recorded in the balance-sheets of these affiliates of AB Lietuvos energija as of the date of the draft balance-sheets shall be attributed to Kaunas HPP and Kruonis PSP, except for the non-current assets – electrotechnical equipment, which shall be attributed to AB Lietuvos energija (paragraph 2.2 of Annexes 3 and 4 of the Agreement).
2. The item “Non-current tangible assets” of the balance-sheets of Kaunas HPP and Kruonis PSP shall be corrected decreasing it by the amount of the equipment being handed over: in accordance with the Agreement and the Technical Due Diligence, from Kaunas HPP the non-current tangible assets in the amount of LTL 3080,3 thousand, calculating for the status of 31 December 2008, less the depreciation charge accrued from 31 December 2008 until the date of the draft balance-sheets will be transferred to AB Lietuvos energija; from Kruonis PSP the non-current tangible assets in the amount of LTL 26.442,2 thousand, calculating for the status of 31 December 2008, less the depreciation charge accrued from 31 December 2008 until the date of the draft balance-sheets will be transferred to AB Lietuvos energija. Both separate asset units (inventory numbers) and parts of separate asset units (objects) will be transferred to AB Lietuvos energija (in case of

Kruonis PSP). A proportionate distribution of the revaluation effect on the deemed cost of the parts of separate asset items as of 31 December 2007 is to be carried out for the date of draft balance-sheets.

3. The value of the assets attributed to Kaunas HPP shall include the following assets (in LTL) shown as of 30 June 2009 and acquired in 2008 – 2009 before 30 June 2009:
  - a) the assets in the value 21 777 001 (twenty one million seven hundred seventy seven thousand and one) litas, acquired under paragraph 2.6 of the Agreement (Agreement between AB Lietuvos energija and Alstom Power Sweden AB of 7 July 2005, which amounts to LTL 43 123 306), less the amounts referred to in paragraph 2.6 of Annex 3 to the Agreement and received by AB Lietuvos energija from 1 January 2008 under Agreement on the Provision of Support (amounting to LTL 21 346 305);
  - b) the assets in the value 3 539 679 (three million five hundred thirty nine thousand six hundred seventy nine) litas acquired before 30 June 2009, the acquisition whereof was directly related to the performance of Agreement between AB Lietuvos energija and Alstom Power Sweden AB of 7 July 2005;
  - c) the assets in the value 134 544 (one hundred thirty four thousand five hundred forty four) litas, acquired under paragraph 2.11 of the Agreement. Paragraph 2.11 of the Agreement covers transactions related to the improvement of assets;
  - d) any other assets, the acquisition whereof has been recorded after 27 May 2008 under agreements in progress, which were made before 27 May 2008.
4. The value of the assets attributed to Kruonis PSP shall include the following assets (in LTL) shown as of 30 June 2009 and acquired in 2008 – 2009 before 30 June 2009:
  - (a) the assets in the value 10 594 321 (ten million five hundred ninety four thousand three hundred twenty one) litas, acquired under paragraph 2.6 of the Agreement (Agreement between AB Lietuvos energija and UAB Fima of 5 November 2007);
  - (b) the assets in the value 250 000 (two hundred fifty thousand), acquired under paragraph 2.11 of the Agreement. Paragraph 2.11 of the Agreement covers transactions related to the improvement of assets;
  - (c) the assets in the value 222 973 (two hundred twenty two thousand nine hundred seventy three) litas, exceeding paragraph 2.11 of the Agreement and corresponding to paragraph 2.10 of the Agreement. Paragraph 2.10 of the Agreement also includes transactions related to the maintenance of the assets, therefore the Transactions carried out in the course of maintenance of the assets (major renovations) corresponded to the activities carried out before 31 December 2007;
  - (d). any other assets, the acquisition whereof has been recorded after 27 May 2008 under agreements in progress, which were made before 27 May 2008.
5. The value of the assets attributed to AB Kaunas HPP and AB Kruonis PSP shall also include the following non-current assets, shown as of the date of the draft balance-sheets and acquired (recorded) from 30 June 2009 until the closure of the Spin-Off and the date of signing the Transfer and Acceptance Report (or any other date to be stated in the Transfer and Acceptance Report):
  - a) the assets, acquired under paragraph 2.6 of the Agreement (Agreement between AB Lietuvos energija and Alstom Power Sweden AB of 7 July 2005 and Agreement between AB Lietuvos energija and UAB Fima of 5 November 2007);
  - b) the assets, the acquisition whereof was directly related to the performance of Agreement between AB Lietuvos energija and Alstom Power Sweden AB of 7 July 2005;
  - c) the assets under paragraph 2.11 of the Agreement;
  - d) the assets, exceeding paragraph 2.11 of the Agreement and corresponding to paragraph 2.10 of the Agreement;
  - e) the assets, acquired in accordance with the Resolution of the Extraordinary General Shareholders' Meeting of AB Lietuvos energija of 8 September 2009.
  - f) the assets, the acquisition whereof has been recorded after 27 May 2008 under agreements in progress, which were made before 27 May 2008.

#### IV. Attribution of Current Assets

All current assets (Balance-Sheet, Part B, items I-IV) recorded in the balance-sheets of these affiliates for the date of the draft balance-sheets shall be attributed to Kaunas HPP and Kruonis PSP as of the date of the draft balance-sheets.

#### V. Attribution of Equity

##### 1. Authorised capital

The authorised capital as of the date of the draft balance-sheets shall be as follows:

AB Lietuvos energija (without affiliates) -	<b>LTL 566 057 704,</b>
AB Kruonis PSP -	<b>LTL 99 675 696,</b>
AB Kaunas HPP -	<b>LTL 23 782 035.</b>

##### 2. Reserves

Revaluation reserves shall be attributed to Kaunas HPP and Kruonis PSP taking into consideration the amount of the revaluation reserve, recorded in the balance-sheets of the power plants as of 30 June 2009 and adjusted (decreased) by the amount of the revaluation reserve of the electrotechnical assets transferred to AB Lietuvos energija, also taking into account the depreciation accumulated before the date of the draft balance-sheets.

The following statutory reserves and capital reduction reserves due to the fuel oil storage facility as of the date of the draft balance-sheets shall be set:

Statutory reserve:

AB Lietuvos energija (without affiliates) -	<b>LTL 56 605 771,</b>
AB Kruonis PSP -	<b>LTL 9 967 570,</b>
AB Kaunas HPP -	<b>LTL 2 378 203.</b>

Capital reduction due to the fuel oil storage facility:

AB Lietuvos energija (without affiliates) -	<b>LTL -52 357 388,</b>
AB Kruonis PSP -	<b>LTL -9 219 483,</b>
AB Kaunas HPP -	<b>LTL -2 199 714.</b>

##### 3. Retained earnings (loss)

The difference between the values of the assets and liabilities transferred to the unbundled companies shall be compensated through retained earnings (loss).

#### VI. Attribution of Grants

All grants (Balance-Sheet Part D) recorded in the balance-sheet of this affiliate as of the date of the draft balance-sheets shall be attributed to the draft balance-sheet of AB Kaunas HPP.

#### VII. Attribution of Long-Term Liabilities

The following part of the deferred income tax, related to the revaluation of the assets due to them (Balance-Sheet Part E, item I.2) shall be attributed to the new companies:

1. The deferred income tax of Kaunas HPP, as shown on the draft balance-sheets, shall be decreased taking into consideration to transfer of the electrotechnical equipment and increased taking into

account the results of the holiday leave benefits, the earlier revaluation of the deemed cost, the value of the revaluation market, the application of the corporate income tax discount for invested assets, which have been recorded in the balance-sheet of AB Lietuvos energija prior to drawing up the draft balance-sheets;

2. The deferred income tax of Kruonis PSP, as shown on the draft balance-sheets, shall be decreased taking into consideration to transfer of the electrotechnical equipment and increased taking into account the results of the holiday leave benefits, the earlier revaluation of the deemed cost, the value of the revaluation market, the application of the corporate income tax discount for invested assets, which have been recorded in the balance-sheet of AB Lietuvos energija prior to drawing up the draft balance-sheets.

All liabilities to contractors and suppliers under agreements in progress, which will not be completed for the date of the draft balance-sheets in relation to investments into Kaunas HPP and Kruonis PSP, shall be handed over to AB Kaunas HPP and AB Kruonis PSP.

### **VIII. Attribution of Short-Term Liabilities**

1. All short-term liabilities (Balance-Sheet Part E, lines II.1 – II.7) recorded in the balance-sheet of these affiliates as of the date of the draft balance-sheets shall be attributed to the draft balance-sheets of Kaunas HPP and Kruonis PSP.
2. Intergroup settlements with AB Lietuvos energija shall be eliminated from the calculations.
3. The amounts payable to AB Lietuvos energija, which AB Lietuvos energija has paid for the acquisition of the non-current assets, i.e. under paragraph 3(a)(b)(c) and paragraph 5(a)(b)(c)(d)(e) of Section III of this Annex, shall be attributed to the draft balance-sheets of Kaunas HPP.
4. The amounts payable to AB Lietuvos energija, which AB Lietuvos energija has paid for the acquisition of the non-current assets, i.e. under paragraph 4(a)(b)(c) and paragraph 5(a)(b)(c)(d)(e) of Section III of this Annex, shall be attributed to the draft balance-sheets of Kruonis PSP.
5. The financial liabilities of AB Lietuvos energija as of the date of the draft balance-sheets shall not be apportioned neither to AB Kaunas HPP nor AB Kruonis PSP.
6. The limits of the current assets and liabilities transferred by AB Lietuvos energija to AB Kaunas HPP and AB Kruonis PSP shall be determined in accordance with the provisions of paragraph 2.5 of Annexes 3 and 4 of the Agreement.
7. The Management of AB Lietuvos energija treats the allowed deviation of LTL 100 000 for current assets and liabilities referred to in paragraph 2.5 of Annexes 3 and 4 of the Agreement as a limitation on the increase of liabilities and the decrease of the assets.