

**LITGRID AB****ARTICLES OF ASSOCIATION****I. General Provisions**

1. The name of the company shall be LITGRID AB (hereinafter referred to as the "Company").
2. The Company shall be an independent, limited liability private legal person organised and operating under the Lithuanian law for a period of unlimited duration and having business, financial, organisational and legal independence. The Company shall be liable for its obligations only by its assets. The shareholders shall have no other property obligations to the Company except the obligation to pay the issue price for all the shares subscribed for according to the established procedure. The authorised capital of the Company shall be divided into shares.
3. The Company shall operate in accordance with the laws, other legal acts and these Articles of Association. The Articles of Association of the Company shall be the main document of the Company having supreme legal force.
4. Legal form of the Company: public company.
5. The Company shall have its seal.
6. Financial year of the Company shall be calendar year.
7. The Company shall assume rights and liabilities and shall exercise them through its management bodies. Management bodies of the Company shall include the general meeting of shareholders, the Supervisory Council, the Board, and the Head of the Company – the General Manager.

**II. Objectives and Purpose of Business Activities of the Company**

8. The objectives of the Company shall be to ensure, within the scope of its competence, stability and reliability of the national power system in the territory of the Republic of Lithuania, to create equal and non-discriminating conditions for the use of the transmission grids, to control, use and manage the assets of the power transmission system and the related assets, and to control companies that perform the functions and carry out activities of an electricity market operator as well as companies which are owners of intersystem power links with other countries or which develop, control, use or manage such links.
9. The long-term strategic objectives of the Company in the area of securing the national energy independence shall be as follows:
  - 9.1. implement technical measures necessary for the connection of the Lithuanian power system with the synchronous grid of continental Europe;
  - 9.2. link the power system of the Republic of Lithuania with the power system of

the Republic of Poland and the Kingdom of Sweden;

- 9.3. integrate into the electricity markets of the Nordic countries and the continental Europe.
10. Along with these objectives, in carrying out its business activities the Company also seeks to augment the value of the Company's business and to secure sufficient return on shareholders' equity.
11. Core business activities of the Company include the business of a power transmission system operator and other power sector activities to the extent to which they do not contradict the operations of a power transmission system operator. The Company shall have the right to engage in these activities provided that power transmission remains its core business activity.
12. Management bodies of the Company and members thereof shall act for the benefit of the Company and its shareholders. Management bodies of the Company shall seek attainment of corporate objectives in accordance with the laws, other legal acts, these Articles of Association and internal documents of the Company.

### **III. Authorised Capital and Shares**

13. The authorised capital of the Company shall amount to LTL 504,331,380 (five hundred four million three hundred thirty-one thousand three hundred eighty Litass). The authorised capital of the Company shall be divided into 504,331,380 (five hundred four million three hundred thirty-one thousand three hundred eighty) ordinary registered shares of LTL 1 (one Litas) par value.
14. The Company shall issue shares of one class: ordinary registered shares. All shares in the Company shall be intangible uncertificated shares. They shall be recorded by entries in personal security accounts of shareholders that shall be opened and managed by the Company according to the procedure established by legal acts of the Republic of Lithuania. At the shareholder's request, the Company shall issue an extract from the shareholder's personal securities account stating the number of the shares held and other statutory information on the shares.

### **IV. Shareholders and Their Rights**

15. The shareholders of the Company shall have property and non-property rights provided for in the laws, other legal acts and these Regulations.
16. Each fully paid ordinary registered share shall grant its holder one vote at the general meeting of shareholders except for cases stated in the laws of the Republic of Lithuania.
17. The shareholders shall have the following property rights:
  - 17.1. receive part of the Company's profit (dividend);
  - 17.2. receive funds of the Company when the authorised capital is being reduced in order to pay the Company's funds to the shareholders;
  - 17.3. receive shares free of charge when the authorised capital is being increased from the Company's funds save for exceptions established in the laws;

- 17.4. acquire shares or convertible debentures issued by the Company by the pre-emption right save for the case when the general meeting of shareholders decides to withdraw this right for all the shareholders according to the procedure established by the laws;
  - 17.5. lend money to the Company by the methods permitted by the law, however, where the Company borrows from the shareholders it may not pledge its assets to the shareholders. Where the Company borrows from its shareholders, the interest rate may not exceed the average interest rate offered by commercial banks in the place of residence or in the place of business of the lender as of the date of the loan agreement. In such a case the Company and the shareholders are not permitted to agree on higher interest rates;
  - 17.6. receive part of the assets of the Company under liquidation;
  - 17.7. other property rights provided for by the laws.
18. The shareholders shall have the following non-property rights:
- 18.1. attend the general meetings of shareholders;
  - 18.2. prior to the general meeting of shareholders, present questions to the Company pertaining to the issues on the agenda of the meeting;
  - 18.3. vote at the general meetings of shareholders using the votes attached to the shares;
  - 18.4. receive information about the Company to the extent established by the law;
  - 18.5. file a lawsuit against the Company for the damage done by non-fulfilment or improper fulfilment of duties, provided for in the laws and these Articles of Association, by the Head of the Company and Members of the Board of the Company and file lawsuits in other cases established in the laws;
  - 18.6. other non-property rights provided for by the laws.
19. The right to vote at the general meeting of shareholders may only be cancelled or restricted in the case prescribed by the law including cases where title to a share is being contested.
20. Management bodies of the Company shall create conditions for the shareholders to exercise their rights.

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

- 21. The general meeting of shareholders shall be the supreme management body of the Company.
- 22. The scope of competence of the general meeting of shareholders as well as the convention and decision adoption procedures shall be established by the laws, other legal acts and these Articles of Association.
- 23. The general meeting of shareholders shall have the exclusive right to:
  - 23.1. amend the Articles of Association of the Company save for exceptions established by the law;

- 23.2. change the registered office of the Company;
  - 23.3. elect the Members of the Supervisory Council;
  - 23.4. recall the Supervisory Council or its members;
  - 23.5. elect the audit firm for the audit of the annual financial statements and recall such firm; set the terms of payment for audit services;
  - 23.6. set the class, number, par value and minimum issue price for the shares issued by the Company;
  - 23.7. adopt a decision to convert the Company's shares of one class into shares of another class and approve the share conversion procedure;
  - 23.8. approve the annual financial statements;
  - 23.9. adopt a decision on the allocation of profit/loss;
  - 23.10. adopt a decision on the formation, use, reduction and cancellation of reserves;
  - 23.11. approve the interim financial statements drawn up for the purposes of adopting a decision on declaration of dividend for a period shorter than a financial year;
  - 23.12. adopt a decision to issue convertible debentures;
  - 23.13. adopt a decision to withdraw the pre-emption right to acquire shares or convertible debentures of a particular issue to all shareholders;
  - 23.14. adopt a decision to increase the authorised capital;
  - 23.15. adopt a decision to reduce the authorised capital save for exceptions established in the law;
  - 23.16. adopt a decision on acquisition of own shares by the Company;
  - 23.17. adopt a decision on reorganisation or division of the Company and approve the terms of reorganisation/division save for exceptions established in the laws;
  - 23.18. adopt a decision on reorganisation of the Company;
  - 23.19. adopt a decision on restructuring of the Company;
  - 23.20. adopt a decision on liquidation of the Company or recall the liquidation save for exceptions established in the laws;
  - 23.21. elect and recall the liquidator of the Company save for exceptions established in the laws.
24. Additional powers of the general meeting of shareholders:
- 24.1. adopt decisions on agreements with Members of the Supervisory Council of the Company as referred to in Article 35 of these Articles of Association, on the setting of standard terms and conditions of such agreements, and on appointment of a person authorised to sign such agreements on behalf of the Company;
  - 24.2. adopt decisions on the size of remuneration paid to independent members of the Supervisory Council (if it was decided to pay such remuneration);
  - 24.3. adopt decisions on approval/non-approval of resolutions of the Board referred to in Articles 70.1 and 72 of the Articles of Association;

- 24.4. adopt decisions on approval/non-approval of the Annual Report of the Company.

## **VI. The Supervisory Council**

25. The Supervisory Council shall be a standing collegiate body of the Company responsible for the supervision of its operations.
26. The Supervisory Council shall report to the general meeting of shareholders.
27. The scope of competence and the procedure for adoption of decisions and for the election and recalling of the Members of the Supervisory Council shall be established in the laws, other legal acts and these Articles of Association.
28. The Supervisory Council shall consist of 3 (three) members including the Chairperson of the Supervisory Council.
29. The Supervisory Council shall be elected for the term of office of 4 (four) years. The Supervisory Council and its Members shall commence their activities after the end of the general meeting of shareholders at which the Supervisory Council or its Members was/were elected.
30. The Supervisory Council shall perform its functions during the period established in these Articles of Association or until a new Supervisory Council is elected, however, not longer than until the date of the general meeting of shareholders held in the last year of the term of office of the Supervisory Council. The number of the terms of office of the Member of the Supervisory Council shall not be limited.
31. The Supervisory Council shall be headed by the Chairperson elected by the Supervisory Council itself from among its Members.
32. The following persons may not be elected Members of the Supervisory Council:
- 32.1. the Head of the Company;
  - 32.2. a Member of the Board of the Company;
  - 32.3. a person occupying a position of a member of a supervisory body, management body or the administration in an energy company engaged in the generation and/or supply of electricity or the extraction and/or supply of natural gas;
  - 32.4. a person with respect to whom circumstances making him/her ineligible from occupying such position have been established based on the provisions of the Law on Enterprises and Facilities of Strategic Significance for National Security and on Other Enterprises Significant for National Security;
  - 32.5. a person who is not entitled to occupy such position on other grounds established in legal acts.
33. The shareholder (or his/her representative) that puts up a candidate for the position of the Member of the Supervisory Council shall submit to the general meeting of shareholders a written statement about qualifications of the candidate, his/her experience in managing positions, and fitness for the position of the Member of the Supervisory Council including explanations about compliance with the requirements

set in Articles 32.3, 32.4 and 32.5 of these Articles of Association, together with conclusions issued by competent authorities and/or other documents evidencing such compliance.

34. A candidate for the position of the Member of the Supervisory Council shall submit to the general meeting of shareholders a written consent to occupy such position and a declaration of interests of a candidate, stating any circumstances that could give rise to a conflict of interests between the candidate and the Company. Should new circumstances that could give rise to a conflict of interests between the Member of the Supervisory Council and the Company arise, the Member shall immediately notify the Supervisory Council in writing.
35. Agreements on activities in the Supervisory Council may be concluded with the Members of the Supervisory Council prior to the start of their work therein. The standard terms and conditions of such agreements shall be set by the general meeting of shareholders. The general meeting of shareholders is also entitled to decide on the payment of remuneration to the independent members of the Supervisory Board. All the elected Members of the Supervisory Council shall sign undertakings concerning non-disclosure of trade/industrial secrets and confidential information of the Company.
36. The general meeting of shareholders may recall the Supervisory Council in full or in part, i.e. individual members thereof, prior to the end of the term of office of the Supervisory Council.
37. A Member of the Supervisory Council may resign at any time by giving the Company a notice according to the procedure prescribed by the law.
38. In case if a Member of the Supervisory Council is recalled, resigns or ceases to occupy this position for any other reason but the shareholders of the Company holding more than 1/10 of total voting rights oppose elections of individual Members of the Supervisory Council, then the Supervisory Council shall forfeit its powers and shall be elected anew. In case of election of individual members, such members may only be elected for the period until the end of the term of the current Supervisory Council.
39. The Supervisory Council shall act in accordance with the laws, other legal acts, these Articles of Association, decisions by the general meeting of shareholders, and Work Regulations of the Supervisory Council.
40. Exclusive rights of the Supervisory Council include:
  - 40.1. electing and recalling Members of the Board; where operations of the Company are loss-making, the Supervisory Council must consider whether Members of the Board are fit for their position;
  - 40.2. oversee activities of the Board and the Head of the Company;
  - 40.3. furnishing the general meeting of shareholders with feedback and proposals for the operating strategies of the Company, annual financial statements, draft allocation of profit/loss and the Annual Report of the Company as well as activities of the Board and the Company;
  - 40.4. furnishing the general meeting of shareholders with feedback and proposals for

the decision on declaring dividend for a period shorter than one financial year and on preparing interim financial statements and interim report for this purpose;

- 40.5. making proposals to the Board and the Head of the Company for recalling those decisions adopted by them which are in contravention of the laws and other legal acts, the Articles of Association of the Company or decisions by the general meeting of shareholders;
  - 40.6. resolving other matters of supervision over the Company and its management bodies falling within the scope of competence of the Supervisory Council as stated in these Articles of Association and in the decisions of the general meeting of shareholders.
41. Additional powers of the Supervisory Council:
- 41.1. overseeing implementation of the Company's strategy and the plan on the development of transmission networks;
  - 41.2. furnishing the general meeting of shareholders with feedback and proposals for the implementation of the plan on the development of transmission networks;
  - 41.3. furnishing the Board and the general meeting of shareholders (if a relevant issue is considered by the latter) with feedback and proposals on resolutions of the Board referred to in Articles 65.1, 66.1-66.2, 70.1, 70.5 and 72-73 of these Articles of Association;
  - 41.4. adopting decisions on the setting of the terms and conditions of agreements with the Members and the Chairperson of the Board referred to in Article 59 of these Articles of Association on determining activities carried out within the Board, setting the standard terms of such agreements and appointing a person authorized to sign these agreements on behalf of the Company;
  - 41.5. adopting decisions on the size of remuneration paid to members of the Board (if it was decided to pay such remuneration);
  - 41.6. ensuring the effectiveness of the internal control system of the Company.
42. The Supervisory Council may not delegate its functions falling within the scope of its competence under the law or under these Articles of Association to other bodies of the Company.
43. The Supervisory Council shall be entitled to request the Board and the Head of the Company to submit any documents and information on the operations of the Company. Documents and information of the Company shall be submitted to the Supervisory Council free of charge. The procedures for such submission shall be detailed in the Work Regulations of the Supervisory Council.
44. The Members of the Supervisory Council shall maintain confidentiality of any trade/industrial secrets and confidential information of the Company which became known to them in this capacity.
45. Decision-adoption and other working procedures of the Supervisory Council:
- 45.1. Working procedures of the Supervisory Council shall be set out in the Work



Regulations adopted by the Supervisory Council.

- 45.2. The Supervisory Council shall pass resolutions at its meetings.
  - 45.3. Meetings of the Supervisory Council shall be held at least once in a calendar quarter.
  - 45.4. In case of resignation or recalling of one or more Members of the Board or the Board as a whole, a meeting of the Supervisory Council shall be convened for the purpose of electing new Members of the Board or the Board as a whole.
  - 45.5. The Supervisory Council may pass resolutions and its meeting shall be deemed to be valid if more than one half of its members are present at the meeting. It shall be deemed that those Members of the Supervisory Council who have voted in advance have attended the meeting.
  - 45.6. The Members of the Supervisory Council shall have equal rights. Each Member shall have one vote during voting. A resolution of the Supervisory Council shall be deemed to be adopted if the number of votes "for" exceeds the number of votes "against". In case of a tie, the vote of the Chairperson of the Supervisory Council shall be decisive. A decision on recalling of a member of the Board may be adopted if at least 2/3 of the Members of the Supervisory Council attending the meeting vote "for".
  - 45.7. The Members of the Supervisory Council shall be obliged to attend the meetings and to vote "for" or "against" any matter that has been put to vote. A Member of the Supervisory Council may issue an authorisation, in a simple written form, to another Member of the Supervisory Council to represent him/her for the purposes of voting at the meetings of the Supervisory Council. A Member of the Supervisory Council may not refuse to vote or to abstain except for cases provided for in the laws and these Articles of Association. Voting at the meetings of the Supervisory Council shall be open. The minutes of the meeting of the Supervisory Council shall state the will expressed by each Member that took part in the meeting on each matter that has been put to vote.
  - 45.8. A Member of the Supervisory Council who cannot attend a meeting shall vote in advance in writing or by electronic means of communications provided that security of the information transmitted is ensured and the identity of the voter can be established. Those Members of the Supervisory Council who have voted in advance in writing or have voted by electronic means of communications shall be deemed to be attending the meeting of the Supervisory Council. The Work Regulations of the Supervisory Council may detail the requirements for the voting in writing and may provide for other methods of attending the meeting in addition to those specified in these Articles of Association.
  - 45.9. Should a conflict of interests arise between a Member of the Supervisory Council and the Company while considering issues at the meeting of the Supervisory Council, the Member must immediately notify the Supervisory Council and withdraw from voting on the relevant issue.
46. The Company shall create appropriate conditions of work for the Supervisory Council and for its Members and furnish them with the necessary technical and organisational



means of work. The Head of the Company shall appoint the Secretary of the Supervisory Council, i.e. an employee of the Company responsible for the servicing of the meetings of the Supervisory Council.

47. Committees of the Supervisory Council:

- 47.1. In order to increase efficiency of its work, the Supervisory Council may decide to form committees which shall examine matters falling within their competence and shall make proposals to the Supervisory Council. The Supervisory Council shall remain fully responsible for its resolutions adopted on proposal of any such committee.
- 47.2. The Company must form the Audit Committee and may form the Remuneration Committee, the Appointments Committee etc. The Supervisory Council shall have the right to perform the functions of the audit, remuneration, appointments and other committees.
- 47.3. The committees shall be formed by resolution of the Supervisory Council. In appointing members of the committees, the Supervisory Council shall seek to ensure that at least 1/3 of members of the committee are independent members.
- 47.4. Working procedures of the committees, rights and responsibilities of the committee members, and means necessary for the committee activities shall be established in the rules for the formation and activities of the relevant committees approved by the Supervisory Council.
- 47.5. The Supervisory Council may resolve to conclude agreements with members of the committees, setting out conditions of their activities in the relevant committee. In addition, the Supervisory Council may resolve to pay remuneration to independent members of the committees. In such a case the Supervisory Council shall approve transparent remuneration rules according to best management practice which, inter alia, shall ensure independence of the relevant committee members.

**VII. The Board**

- 48. The Board shall be a collegiate management body of the Company.
- 49. The Board shall report to the Supervisory Council and the general meeting of shareholders. The Board shall submit to the Supervisory Council a report on its activities at least once in a quarter.
- 50. The scope of competence and the procedure for adoption of decisions and for the election and recalling of the Members of the Board shall be established in the laws, other legal acts and these Articles of Association.
- 51. The Board shall consist of 5 (five) members including the Chairperson of the Board.
- 52. The Board shall be elected for the term of office of 4 (four) years. The Board shall commence their activities after the end of the meeting of the Supervisory Council at

which the Board was elected.

53. The Board shall perform its functions during the period established in these Articles of Association or until a new Board is elected and starts its activities, however, not longer than until the date of the general meeting of shareholders held in the last year of the term of office of the Board. The number of the terms of office of the Member of the Board shall not be limited.
54. The Board shall be headed by the Chairperson elected by the Board itself from among its Members.
55. Only a natural person can be elected Member of the Board. The following persons may not be elected Members of the Board:
  - 55.1. Member of the Supervisory Council of the Company;
  - 55.2. any person referred to in Articles 32.3 and 32.4 above and any person who is not entitled to occupy such position on other grounds established in legal acts.
56. The person that puts up a candidate for the position of the Member of the Board shall submit to the Supervisory Council a written statement about qualifications of the candidate, his/her experience in managing positions, and fitness for the position of the Member of the Board including explanations about compliance with the requirements set in Article 55.2 of these Articles of Association, together with conclusions issued by competent authorities and/or other documents evidencing such compliance.
57. A candidate for the position of the Member of the Board shall submit to the general meeting of shareholders a written consent to occupy such position and a declaration of interests of a candidate, stating any circumstances that could give rise to a conflict of interests between the candidate and the Company. Should new circumstances that could give rise to a conflict of interests between the Member of the Board and the Company arise, the Member shall immediately notify the Company, the Board and the Supervisory Council in writing.
58. A Member of the Board may have another job or occupy another position including but not limited to managerial positions in other legal persons, employment in the public service or the statutory service, positions in the Company and other legal persons in which the Company participates only subject to giving a prior notice to the Board and the Supervisory Council of the Company and subject to obtaining a prior consent of the Supervisory Council except for pedagogical, creative and author's activities for which such consent is not required.
59. Agreements on activities in the Board may be concluded with the Members and the Chairperson of the Board prior to the start of their work therein. The standard terms of such agreements shall be set by the Supervisory Council. The Supervisory Council may also decide on the payment of remuneration to the Members of the Board. If a Member of the Board is elected to the position of the General Manager or is appointed manager of a division of the Company, an employment contract shall be concluded for work in such position. All the elected Members of the Board shall sign undertakings concerning non-disclosure of trade (industrial) secrets and confidential information of the Company.

60. The Supervisory Council may recall the Board as a whole or its individual members prior to the end of the term of office.
61. A Member of the Board may resign at any time by giving the Company a notice according to the procedure prescribed by the law.
62. In case if the Board is recalled, resigns or ceases to perform its duties for any other reason, the new Board shall be elected for the remaining term of the Board. In case of election of individual members, such members may only be elected for the period until the end of the term of the current Board.
63. The Board shall act in accordance with the laws, other legal acts, these Articles of Association, decisions by the general meeting of shareholders and the Supervisory Council, and Work Regulations of the Board.
64. All the Members of the Board shall have equal rights and responsibilities save for exceptions established in the laws and other legal acts.
65. The Board shall consider and approve:
  - 65.1. the operating strategy of the Company;
  - 65.2. the Annual Report of the Company;
  - 65.3. the Interim Report of the Company;
  - 65.4. the management and organisation structure of the Company, positions in the Company, and the total (maximum) number of the employees;
  - 65.5. positions to which employees are admitted on competition basis;
  - 65.6. regulations of branches and representative offices of the Company.
66. The Board shall also consider and approve:
  - 66.1. a three-year action plan implementing the strategy of the Company, which is used as a basis for the decision-adoption by the Board; such action plan shall be reviewed, considered and approved every year together with the draft budget of the Company for next year; a resolution of the Board on this matter shall be considered to be adopted if at least 4 (four) votes “for” are received at the Board meeting;
  - 66.2. a ten-year plan on the development of the transmission grid of the Company; prior to approval, a review of such plan must be made not later than by 1 July every year;
  - 66.3. the budget of the Company;
  - 66.4. the procedure for granting support and charity;
  - 66.5. other documents governing strategic activities of the Company.
67. The Board shall elect and recall the Head of the Company, set his/her remuneration and other terms and conditions of employment contract, approve job regulations for him/her, and give incentives to and impose penalties on him/her.
68. The Board shall elect and recall the head of the structural division performing the

internal audit functions in the Company, set his/her remuneration and other terms and conditions of employment contract, approve job regulations for him/her, and give incentives to and impose penalties on him/her.

69. The Board shall designate information which shall be considered trade/industrial secret and confidential information of the Company. Any information that must be public under the law may not be designated as trade/industrial secret or confidential information.
70. The Board shall adopt resolutions on:
- 70.1. starting activities of a new type or discontinuation of an activity by the Company to the extent to which this does not contradict the Company's objectives, if the relevant decision was not adopted at the time of approval of the operating strategies of the Company;
  - 70.2. issue of debentures (except for convertible debentures); and shall approve the procedure for the granting of charity and support;
  - 70.3. restructuring of the Company – in cases established in the Law on Restructuring of Companies;
  - 70.4. the Company's acting as a founder or a member of a legal person;
  - 70.5. exercise of the rights of the Company as a member of other legal persons (including the right to vote at the meeting of members);
  - 70.6. transfer of the shares of the Company or votes attached thereto to third parties and restrictions thereon;
  - 70.7. formation or termination of branches and representatives offices of the Company, and approval of/amendments to regulations of branches and representatives offices; the Board of the Company shall appoint and recall the managers of branches and representatives offices, consider matters of formation and termination of branches and representatives offices of companies in which the Company is a member (including subsidiaries of the Company), and consider candidacies to members of the supervisory councils and the boards of companies in which the Company is a member when the Company's employees are proposed as such candidates;
  - 70.8. participation of the Company in the activity of associations or legal entity unions of any form;
  - 70.9. approval of the proposed total amount of incentives to encourage the Company's employees; such proposal by the Head of the Company must be based on the results of the Company in the relevant year;
  - 70.10. any matters falling within the scope of competence of the Board as established by other laws, these Articles of Association, the general meeting of shareholders and the internal procedures of the Company approved by resolutions of the Board (provided that the approval was within the scope of competence of the approving body) as well as matters (including conclusion of transactions) that have been brought to the attention of the Board by the Head of the Company.
71. The Board shall pass resolutions on:

- 71.1. investment, transfer or lease of non-current assets the book value of which exceeds LTL 10,000,000 (ten million Litass) (calculated individually for each transaction type);
- 71.2. pledge or mortgage of non-current assets the book value of which exceeds LTL 10,000,000 (ten million Litass) (calculated as total amount of transactions);
- 71.3. providing guarantees to or standing surety for third-party liabilities exceeding LTL 10,000,000 (ten million Litass);
- 71.4. acquisition of non-current assets at a price exceeding LTL 10,000,000 (ten million Litass);
- 71.5. investment, transfer, pledge or mortgage of funds exceeding LTL 10,000,000 (ten million Litass) (calculated individually for each transaction type);
- 71.6. participation and/or entering into agreements on lawsuit in judicial/arbitration proceedings in which an actions is brought against the Company or the Company brings an action the value of which exceeds LTL 500,000 (five hundred thousand Litass).

In adopting the resolutions referred to in this Article, the Board shall approve the main terms of the relevant transactions.

72. The Board shall also pass resolutions on:

- 72.1. transfer, pledge, changing of legal status, encumbrance or disposal of any installations forming the 110 kV (or higher) power transmission grid and the related equipment which are specified in the Law on Enterprises and Facilities of Strategic Significance for National Security and on Other Enterprises Significant for National Security and which are owned by the Company;
- 72.2. transfer, pledge, changing of legal status, encumbrance or disposal of any intersystem power links with other countries owned by the Company;
- 72.3. transfer, pledge, encumbrance or disposal of shares in the companies which are controlled by the Company either directly or indirectly and which own any intersystem power links with other countries, or which develop, control, use or manage such links on any grounds, or which implement and perform the functions of transmission system operators or market operators, or of the rights attached to such shares, increase or reduction of the authorised capital of such companies, or any other actions that may change the structure of the authorised capital of such companies (e.g. issue of convertible debentures) and decisions on reorganisation, division, restructuring, liquidation or transformation of such companies or any other actions that may change the legal status of such companies.

73. The Board shall set, based on calculations made by the Company, the prices for state-regulated services and the terms of application thereof and shall submit such prices for agreement according to the procedure prescribed by the law, where such agreement is required under the law.

74. The Board may establish guidelines and rules for the operation of subsidiaries, the annual financial plans, the annual return on assets, the maximum debt levels and other operating parameters for the subsidiaries.

75. Prior to passing the resolutions referred to in Articles 65.1, 66.1 to 66.2, 70.1, 70.5 and 72-73 of these Articles of Association, the Board shall present any information related to such resolutions to the Supervisory Council and shall take account of the Supervisory Council's feedback and proposals for such resolutions. The feedback and proposals by the Supervisory Council shall not limit the powers of the Board to adopt decisions and shall not affect the Board's liability for such decisions.
76. The Board shall obtain approval of the general meeting of shareholders for the resolutions referred to in Articles 70.1 and 72. The approval of the general meeting of shareholders shall not affect the Board's liability for such resolutions.
77. Where approval/consent of the general meeting of shareholders is required for a resolution of the Board under these Articles of Association or under the law, the resolution may be implemented only upon obtaining such approval/consent.
78. The Board shall analyse and evaluate materials submitted by the Head of the Company:
  - 78.1. on implementation of the operating strategy of the Company;
  - 78.2. on organisation of the operations of the Company;
  - 78.3. on financial position of the Company;
  - 78.4. on results of business activities, income and cost estimates, stock-taking results etc.
79. The Board shall analyse and evaluate the annual financial statements of the Company and the draft allocation of profit/loss and shall submit them, together with the Annual Report, to the Supervisory Council and the general meeting of shareholders.
80. The Board shall analyse and evaluate the draft decision on declaration of dividend for a period shorter than financial year and the interim financial statements drawn up for this purpose, and shall submit them, together with the Annual Report, to the Supervisory Council and the general meeting of shareholders.
81. The Board shall be responsible for the timely convention and holding of the annual meetings of shareholders.
82. The Board shall submit to the Supervisory Council any documents related to the Company's activities as requested by the Supervisory Council.
83. Members of the Board shall keep trade/industrial secrets and confidential information that have become known to them in the course of performing their duties as the Board Members.
84. Decision-adoption and other working procedures of the Board:
  - 84.1. The working procedures of the Board shall be established in the Work Regulations of the Board.
  - 84.2. Each Member of the Board shall be responsible for the analysis of matters which fall within the scope of his/her competence and on which a resolution of the Board must be adopted and for the provision of requisite information other Board Members so that they can decide "for" or "against" the relevant

resolution. Specific scopes of competence shall be defined in the Work Regulations of the Board.

- 84.3. The Board shall pass resolutions at its meetings.
  - 84.4. Meetings of the Board shall be held at least once in two calendar weeks. The Work Regulations of the Board shall specify the date and time of the meetings (save for exceptions established in the Work Regulations of the Board). Another frequency of meetings may be provided for in the Work Regulations of the Board.
  - 84.5. The Board may pass resolutions and its meeting shall be considered valid if at least 2/3 of the Board Members attend the meeting.
  - 84.6. Each Member shall have one vote during voting. A resolution of the Board shall be deemed to be adopted if the number of votes “for” exceeds the number of votes “against” (in case of a tie, the vote of the Chairperson of the Board shall be decisive) save for the cases referred to in these Articles of Association when at least 4 (four) votes “for” are required.
  - 84.7. The Members of the Board shall be obliged to attend the meetings of the Board and to vote “for” or “against” any matter that has been put to vote. A Member of the Board may issue an authorisation, in a simple written form, to another Member of the Board to represent him/her for the purposes of voting at the meetings of the Board. A Member of the Board may not refuse to vote or to abstain except for cases provided for in the laws and these Articles of Association. Voting at the meetings of the Board shall be open. The minutes of the meeting of the Board shall state the will expressed by each Member that took part in the meeting on each matter that has been put to vote.
  - 84.8. A Member of the Board who cannot attend a meeting shall vote in advance in writing or by electronic means of communications provided that security of the information transmitted is ensured and the identify of the voter can be established. Those Members of the Board who have voted in advance in writing or have voted by electronic means of communications shall be deemed to be attending the meeting of the Board. The Work Regulations of the Board may detail the requirements for the voting in writing and may provide for other methods of attending the meeting in addition to those specified in these Articles of Association.
  - 84.9. Should a conflict of interests arise between a Member of the Board and the Company while considering issues at the meeting of the Board, the Member must immediately notify the Board and withdraw from voting on the relevant issue. A Member of the Board shall not be entitled to vote when an issue related to his/her activities in the Board or to his/her liability is being decided at the Board meeting.
  - 84.10. If the Head of the Company is not the Board Member, the Board shall invite the Head of the Company to every meeting and enable him/her to familiarise himself/herself with the information related to the agenda.
85. The Company shall create appropriate conditions of work for the Board and for its Members and furnish them with the necessary technical and organisational means of work. The Head of the Company shall appoint the Secretary of the Board, i.e. an employee of the Company responsible for the servicing of the meetings of the.



## VIII. The Head of the Company

86. Operations of the Company shall be organised and directed by the Head of the Company, i.e. the General Manager. The General Manager shall be the single-handed management body of the Company. The General Manager shall act on behalf of the Company and shall have the right to conclude transactions single-handedly except for cases established in these Articles of Association and the laws.
87. The General Manager shall report to the Board.
88. The scope of competence of the General Manager and the election and recalling procedures shall be established by the laws, other legal acts and these Articles of Association.
89. Only a natural person can be elected as the General Manager. Persons referred to in Articles 32.3 and 32.4 of these Articles of Association and persons who may not occupy such position on statutory grounds may not be elected as the General Manager. In evaluating eligibility of a candidate, the Board shall evaluate his/her compliance with the above requirement and may request that the candidate submits documents evidencing such compliance and/or may approach competent authorities requesting information on the candidate.
90. A candidate for the position of the General Manager shall submit to the Board a written consent to be a candidate for such position and a declaration of interests of a candidate, stating any circumstances that could give rise to a conflict of interests between the candidate and the Company. Should new circumstances that could give rise to a conflict of interests between the General Manager and the Company arise, the General Manager shall immediately notify the Board in writing.
91. The General Manager may occupy another position or have another job, including a position with the Company or other legal persons in which the Company is a member, only upon obtaining a prior consent of the Board except for pedagogical, creative and author's activities for which such consent is not required.
92. The General Manager shall start performing his/her duties from the election date unless the agreement with the General Manager states otherwise. The agreement with the General Manager shall be signed, on behalf of the Company, by the Chairperson of the Board or an authorised Board Member. Where the General Manager is the Chairperson of the Board, such agreement shall be signed by an authorised Board Member.
93. The General Manager shall have the right to resign by giving a resignation notice to the Board. The Board shall adopt a decision on recalling according to the procedure prescribed by the law. Should the Board fail to adopt the decision to recall the General Manager, the agreement with the General Manager shall expire according to the procedure established by the law.
94. The General Manager shall act in accordance with the laws, other legal acts, these Articles of Association, decisions by the general meeting of shareholders, resolutions by the Supervisory Council and the Board, and the job regulations.

95. The General Manager shall organise routine operations of the Company, hire and dismiss employees, conclude and terminate employment contracts with employees, give incentives to and impose penalties on them.
96. The General Manager shall maintain confidentiality of trade/industrial secrets and confidential information that have become known to him/her in the capacity of the General Manager.
97. The General Manager shall be responsible for:
  - 97.1. organisation of the Company's operations and implementation of its objectives;
  - 97.2. drawing up of the annual financial statements and the Annual Report of the Company;
  - 97.3. drafting of the decision on declaration of dividend for a period shorter than financial year, drawing up of interim financial statements and interim report for the purposes of adoption of such decision;
  - 97.4. entering into an agreement with an audit firm where audit is mandatory under the law or these Articles of Association;
  - 97.5. submission of information and documents to the general meeting of shareholders, the Supervisory Council and the Board in cases provided for in the laws or at the request of the said bodies;
  - 97.6. submission of the Company's documents and data to the Manager of the Legal Persons Register;
  - 97.7. submission of documents to the Bank of Lithuania and the Lithuanian Central Securities Depository;
  - 97.8. publication of information that must be public under the law using the source referred to in these Articles of Association;
  - 97.9. presentation of information to the shareholders;
  - 97.10. performance of other functions provided for in the laws and other legal acts, these Articles of Association and job regulations of the General Manager.
98. The General Manager shall issue and recall procuration letters.
99. The General Manager shall ensure that the auditor is furnished with all the documents of the Company that are necessary for the audit under the agreement with the audit firm.
100. Where, under the law or these Articles of Association, decision and/or approval of another body of the Company is required for the conclusion of the Company's transactions or adoption of decisions, the General Manager may only conclude such transactions and adopt decisions subject to obtaining the relevant decision and/or approval of such body.
101. The working procedures of the General Manager shall be established by the job regulations of the General Manager.

## **IX. Organisation of Operations of the Company. Audit and Finances**

102. The organisational structure and positions of the Company shall be suitable for purposeful activities of the Company.
103. The activities of the Company shall be planned and budgeted. The General Manager shall be responsible for the drawing up of the Company's budget.
104. Financial statements of the Company shall be drawn up in accordance with the International Financial Reporting Standards.
105. The Board of the Company shall be furnished with quarterly operating and financial reports of the Company showing the progress in the implementation of the strategies and budget approved by the Board.

#### **X. Notices**

106. Notices of the Company which must be public under the law, other legal acts and/or these Articles of Association shall be published, according to the procedure established by the Government, in the electronic bulletin published by the Manager of the Legal Persons Register.

#### **XI. Procedure for the Presentation of Documents and Other Information to Shareholders and Board Members**

107. At the shareholder's written request, the Company shall, within 7 (seven) calendar days from the date of receipt of the request, enable the shareholder to familiarise himself/herself with or furnish the shareholder with copies of the following documents: the Articles of Association of the Company, annual and interim financial statements, Annual and Interim Reports, audit opinions and audit reports, minutes of the general meetings of shareholders or other documents formalising decisions adopted by the general meeting of shareholders, feedback/proposals made by the Supervisory Council for the general meetings of shareholders, the Shareholders Register, lists of Members of the Supervisory Council and the Board and other documents of the Company that must be public under the law, as well as minutes of the meetings of the Supervisory Council and the Board or other documents formalising decisions/resolutions passed by the said bodies, provided that such documents do not contain trade/industrial secrets or confidential information.
108. A shareholder or a group of shareholders holding or controlling more than ½ (one half) of the shares and having produced to the Company a written undertaking, in the form established by the Company, not to disclose trade/industrial secrets and confidential information, and any Member of the Board shall be entitled to familiarise themselves with any document of the Company and its subsidiaries and any information thereof (including information about draft decisions of the management bodies of the Company that have not been adopted as yet and information on any contemplated transactions and investments), and, at the request of the person receiving the information, such information shall be structured according to reasonable criteria specified by such person. If the documents or information requested as stated above is not available to the Company, management bodies of the Company must immediately take steps to obtain such documents and information making use of the rights attached to the shares in the subsidiaries held by the Company. The information and documents under this Article 108 shall be submitted immediately, however, not later

than within 5 (five) working days from the date of request. The aforesaid persons shall have the right to demand and the Company shall have the duty to ensure that certain information and documents are submitted on a periodic basis without a separate request.

109. Any documents and information referred to in Articles 107 and 108 above shall be provided to the shareholders and the Board Members free of charge.

## **XII. Final Provisions**

110. The Articles of Association of the Company may be amended according to the procedure established in the Republic of Lithuania Law on Companies, by the decision of the general meeting of shareholders adopted by at least 2/3 (two-thirds) majority vote of the shares of the shareholders attending the meeting.
111. On adoption of the decision on amendments to the Articles of Association by the general meeting of shareholders, the amended text of the Articles of Association shall be signed by a person authorised by the general meeting of shareholders.
112. These Articles of Association have been signed on \_\_\_\_\_ 2013.
113. The Articles of Association shall take effect upon registration in the Register of Legal Persons.

Person authorised by the general meeting of shareholders:

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Virgilijus Poderys  
General Manager