

(unofficial report)

**PUBLIC COMPANY  
LIETUVOS ENERGIJA**

**BOARD  
REPORT ON THE INTENDED SPIN-OFF**

24 September 2010  
Vilnius

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## 1. TERMS AND DEFINITIONS

- 1.1. Capitalised terms in this Report of the Board of the Public Company LIETUVOS ENERGIJA on the intended Spin-Off of the Public Company LIETUVOS ENERGIJA shall have the below indicated meanings, unless different meanings are accorded to them by the context:
- 1.1.1. **“LITGRID turtas AB”**, **“LITGRID turtas”** or the **“New Company”** means a new company established under the Spin-Off Terms on the basis of the part of the Public Company LIETUVOS ENERGIJA, to which the part of the assets, rights and obligations of the Public Company LIETUVOS ENERGIJA is transferred and the intended name of which is LITGRID turtas AB. In this Board Report the terms the New Company, LITGRID turtas and LITGRID turtas AB shall have the same meanings.
- 1.1.2. **“Shareholder”** or **“Shareholders”** means shareholders of the Company, each of them individually or all of them jointly, accordingly.
- 1.1.3. **“Company Law”** means the 13 July 2000 Law of the Republic of Lithuania on Companies No VIII-1835 (the wording of the 22 December 2009 Law No XI-611).
- 1.1.4. **“Spin-Off Part”** means the part to be separated from AB Lietuvos energija at the time of the Spin-Off comprising the activity carried out by AB Lietuvos energija, directly and indirectly (through its subsidiaries), of the Transmission System Operator, electricity market operator and part of the Information Technologies and other electric energy activity relating to the activity carried out by the Transmission System Operator, as stipulated in this Board Report and the Spin-Off Terms, i.e. the part of the Company’s activity in the form of assets, rights, obligations and transactions which, from an organisational point of view, constitute an independent economic entity carrying out its activities and capable of functioning by its own means and basing on which, in accordance with the Spin-Off Terms, LITGRID turtas AB is being established. A precise description of the Spin-Off Part is presented in item 7.6 of the Board Report and Section 9 of the Spin-Off Terms and the respective annexes to the Spin-Off Terms.
- 1.1.5. **“Spin-Off”** means the separation of the Spin-Off Part of AB Lietuvos energija, which continues its activity after the spin-off, indicated in this Board Report and the Spin-Off Terms and establishing of the New Company on the basis of the assets, rights and obligations attributed to this Spin-Off Part, carried out in accordance with the Spin-Off Terms.
- 1.1.6. **“Spin-Off Terms”** means the spin-off terms of the Company (including all annexes, supplementations of the Spin-Off Terms and other documents attached to the Spin-Off Terms).
- 1.1.7. **“Day of Execution of the Spin-Off Terms”** means the day on which, in compliance with the 18 June 2010 resolution of the Company’s extraordinary general meeting of shareholders (the Shareholders), the extract from which is attached to the Spin-Off Terms (Annex 6), the prepared draft Spin-Off Terms is approved by the Company’s Board.
- 1.1.8. **“Company”** or **“AB Lietuvos energija”** means the Public Company LIETUVOS ENERGIJA, legal entity code 220551550, VAT payer code LT205515515, registered office at Žvejų g. 14, Vilnius, Republic of Lithuania, which will carry out its activity until the end of the Spin-Off, as well as continue its activity after the Spin-Off, in view of the context of this Board Report and the Spin-Off Terms.
- 1.1.9. **“Decision on the Company Spin-Off”** means a decision of the Company’s general meeting of shareholders regarding the spin-off of the Company which approves the Spin-Off Terms, amends the articles of association of the Company, approves the articles of association of the New Company and settles other issues pertaining to the Spin-Off and

settlement of which is necessary or expedient under the applicable legal acts of the Republic of Lithuania.

- 1.1.10. “**EP**” means UAB Energetikos pajėgos, legal entity code 136046431, VAT payer code LT360464314, registered office at T. Masiulio g. 16D, Kaunas, Republic of Lithuania, 100% of which are held by the Company as at the Day of Execution of the Spin-Off Terms, and which carries out activity relating to servicing the electricity network, including implementation of projects of construction, reconstruction and repair of energy and communication buildings, preparing energy development schemes and projects.
- 1.1.11. “**ETP**” means UAB ELEKTROS TINKLO PASLAUGOS, legal entity code 300072351, VAT payer code LT100001363914, registered office at Motorų g. 2, Vilnius, Republic of Lithuania, 100% of which are held by the Public Company Rytų skirstomieji tinklai (legal entity code 110870890, registered office at P. Lukšio g. 5B, Vilnius, Republic of Lithuania) as at the Day of Execution of the Spin-Off Terms, and which carries out activity relating to servicing the electricity network, including carrying out of works of maintenance, operation, repair of the electricity network and equipment, internal electricity installation.
- 1.1.12. “**Final Spin-Off Balance Sheets**” means spin-off balance sheets drawn up on the basis of the principles and rules set out in Annex 3 to the Spin-Off Terms which will record the final capital, assets, rights and obligations to be attributed to the Company and the New Company after the Spin-Off.
- 1.1.13. “**Information Technologies Activity**” means activity carried out by AB Lietuvos energija in the sphere of information technologies and telecommunications, one of its main spheres being organisation, maintenance and support of creation of applied systems for the energy system and which is meant for the internal needs of the Company and its subsidiaries (the **Corporate Information Technologies Activity** or **CIT Activity**), provision of services of data transmission, the internet, lease of technical areas and other services for external clients (the **Information Technologies Commercial Activity** or **ITC Activity**).
- 1.1.14. “**IT Commerce**” means UAB Data Logistics Centre, legal entity code 302541281 registered office at A.Juozapavičiaus g. 13, Vilnius, Republic of Lithuania, 100% of which are held by the Company as at the Day of Execution of the Spin-Off Terms, and which plans to carry out activity in the sphere of information technologies and telecommunications and provide services of data centres, data transmission, lease of the respective Fibre Lines and other telecommunication services to external clients.
- 1.1.15. “**Register of Legal Entities**” or “**RLE**” means the Register of Legal Entities of the Republic of Lithuania established on 12 November 2003 by Resolution No 1407 of the Government of the Republic of Lithuania “On the establishment of the Register of Legal Entities and approval of the Regulations of the Register of Legal Entities“ (Official Gazette Valstybės Žinios, 13.11.2003, No: 107, Publ. No: 4810).
- 1.1.16. “**LEL**” means the Public Company LIETUVOS ELEKTRINĖ, legal entity code 110870933, VAT payer code LT108709314, registered office at Elektrinės g. 21, Elektrėnai, Republic of Lithuania.
- 1.1.17. “**Remaining Part**” means the entirety of the assets, rights, obligations and transactions of the Company which is not transferred to the New Company, as indicated in item 7.7 of this Board Report and Section 10 of the Spin-Off Terms, and under the Spin-Off Terms retained by the Company to be active after the Spin-Off.
- 1.1.18. “**LITGRID AB**” means LITGRID AB, legal entity code 302449655, VAT payer code LT100005013315, registered office at A.Juozapavičiaus g. 13, Vilnius, Republic of Lithuania, 100% of which are held by the Company as at the Day of Execution of the Spin-Off Terms, and which carries out activity of electricity transmission system operator and whose shares, as relating to the Spin-Off Part, shall be transferred to the New Company in compliance with the Spin-Off Terms.

- 1.1.19. **“Transfer-Acceptance Act”** means the transfer-acceptance act (irrespective of the name) for the Spin-Off Part executed by the Company which continues its activity after the Spin-Off and the New Company under the Spin-Off Terms on the basis of which the entire Spin-Off Part is transferred to the New Company. In case of execution of not one, but several Spin-Off Part transfer-acceptance documents for the transfer of the Spin-Off Part, then the **“Transfer-Acceptance Act”** means the entirety of all such transfer-acceptance documents.
- 1.1.20. **“Transmission System Operator’s Activity”** or **“TSO Activity”** means (i) activity of management, operation, development, technical maintenance and repair of electricity transmission networks and connection lines with other electricity systems carried out by AB Lietuvos energija directly and indirectly (through its subsidiaries); (ii) as well as activity relating to performance of functions of national balancing, dispatcher control and systemic services provision; ensuring of reliability, integrity and compatibility of electricity system operation; and (iii) other activity relating to electricity transmission and ensuring reliable operation of the electricity system.
- 1.1.21. **“Assets of the Transmission System”** means high voltage electricity transmission networks functioning under inter-coordinated regime and their technological appurtenances, including transformer sub-stations, distribution units and connection lines and other assets directly relating to the Spin-Off Part, owned by the Company.
- 1.1.22. **“Spin-Off Balance Sheets as at 30 June 2010”** means the spin-off balance sheets drawn up on the basis of the 30 June 2010 balance sheet of the Company and the rules set out in Annex 1 to the Spin-Off Terms. The Spin-Off Balance Sheets as at 30 June 2010 shall be attached to the Spin-Off Terms as Annex 2.
- 1.1.23. **“Fibre Lines”** means the fibre lines owned by the Company which are (i) meant for transmission of dispatcher control and other information pertaining to the Transmission System Operator’s Activity within the electricity transmission network and which are relating to the Spin-Off Part and are separately enumerated in Annex 16 to the Spin-Off Terms as well as repeatedly indicated in Annex 10 to the Spin-Off Terms (**Fibre Lines 1**) and (ii) which may be used for provision of telecommunications or IT services and are non-relating to the Spin-Off Part (**Fibre Lines 2**).
- 1.1.24. **“TED”** means the Company’s unit, i.e. an electricity transmission network operation unit which discharges the functions of maintaining and servicing the electricity network.
- 1.1.25. **“TETAS”** means UAB TETAS, legal entity code 300513148, VAT payer code LT100002045610, registered office at Senamiesčio g. 102B, Panevėžys, Republic of Lithuania, 100% of which are held by the Public Company Rytų skirstomieji tinklai (legal entity code 110870890, registered office at P. Lukšio g. 5B, Vilnius, Republic of Lithuania) as at the Day of Execution of the Spin-Off Terms, and which carries out activity relating to servicing the electricity network, including carrying out of works of maintenance of electricity equipment, testing of electricity distribution units and other equipment.
- 1.1.26. **“TIC”** means UAB Technologijų ir inovacijų centras, legal entity code 302527488, registered office at Žvejų g. 14, Vilnius, Republic of Lithuania, 100% of which are held by the VAE as at the Day of Execution of the Spin-Off Terms, and which intends to carry out activity in the sphere of information technologies and telecommunications and service and provide services to the Company, the New Company, their subsidiaries, as well as other companies directly and/or indirectly controlled by VAE.
- 1.1.27. **“Property Management Company”** means UAB Kruonio investicijos, legal entity code 300634954, VAT payer code LT100003223011, registered office at Kruonio II k., Kaišiadorių raj., Republic of Lithuania, 100% of which are held by the Company as at the Day of Execution of the Spin-Off Terms, and which intends to carry out activity relating to management, use, disposal of the non-technological assets (mainly real property) owned by it and activity of recreation organisation.

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- 1.1.28. “**VAE**” means UAB Visagino atominė elektrinė, legal entity code 301844044, VAT payer code LT100004278519, registered office at Žvejų g. 14, Vilnius, Republic of Lithuania, which is a shareholder of the Company holding 97.5% of the shares in the Company.
- 1.1.29. “**Board Report**” means this report of the Board of the Public Company LIETUVOS ENERGIJA on the intended Spin-Off of the Public Company LIETUVOS ENERGIJA.
- 1.1.30. “**Companies to be Active**” means jointly the Company which will continue its activity after the Spin-Off and the New Company.
- 1.2. In the Board Report the words in the singular form may, depending on the context, comprise the plural form and vice versa. Similarly, words in the masculine gender may, depending on the context, comprise the feminine gender and vice versa. The names in the Board Report are used only for convenience purposes and shall have no impact on the meaning or interpretation of the Board Report. Each time when the words such as “includes”, “including” or words of the similar meaning are used in the Board Report, it shall be deemed that they shall be followed by the words “not limiting to”.
- 1.3. A reference to a particular article, paragraph or item in the Board Report shall mean a reference to that particular article, paragraph or item of the Board Report, unless otherwise stipulated.
- 1.4. Dates of adoption of the laws referred to in the Board Report, their numbers and references indicating them as laws of the Republic of Lithuania, shall be presented only when referring to such laws for the first time in the Board Report. Further on, any reference in the Board Report to the respective law shall contain only the name of such law.

**2. LEGAL GROUNDS FOR THE REORGANISATION**

Basing on the Spin-Off Terms the draft of which was approved by decision of the Board of AB Lietuvos energija adopted at the sitting of the Board of AB Lietuvos energija held on 24 September 2010, the part of AB Lietuvos energija participating in the Spin-Off shall be separated establishing a new company of the same legal form under the name LITGRID turtas AB on the basis of the assets, rights and obligations attributed to such part. The Spin-Off envisaged in the Spin-Off Terms shall be carried out, if the Company's general meeting of shareholders adopts a resolution on the approval of the Company's Spin-Off Terms.

The Board Report of AB Lietuvos energija on the intended Spin-Off of AB Lietuvos energija is prepared basing on paragraph 3 of Article 2.99 of the Civil Code of the Republic of Lithuania and Article 64 of the Company Law.

This Board Report of AB Lietuvos energija on the intended Spin-Off of AB Lietuvos energija was approved by decision of the Board of AB Lietuvos energija adopted at the sitting of the Board held on 24 September 2010.

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Arvydas Darulis

Chairman of the Board of AB Lietuvos energija

**3. INFORMATION ABOUT THE COMPANY PARTICIPATING IN THE SPIN-OFF AND COMPANIES TO BE ACTIVE AFTER THE SPIN-OFF**

3.1. The company participating in the Spin-Off:

- name – Public Company LIETUVOS ENERGIJA;
- legal form – public company;
- registered office at Žvejų g. 14, Vilnius, Republic of Lithuania;
- code – 220551550;
- value added tax payer code – LT205515515;
- register in which the data about the Company are accumulated and stored – Register of Legal Entities;
- authorised capital – LTL 993 614 306 (nine hundred ninety three million six hundred fourteen thousand three hundred and six litas), divided into 993 614 306 (nine hundred ninety three million six hundred fourteen thousand three hundred and six) ordinary registered shares of LTL 1 (one litas) par value, issue (ISIN) code LT0000117681;
- amount of the paid-up authorised capital – LTL 993 614 306 (nine hundred ninety three million six hundred fourteen thousand three hundred and six litas);
- period of activity – unlimited;
- all the regulated information published by AB Lietuvos energija, including the historical financial information for 2007, 2008 and 2009 and the interim financial information, may be accessed at the website of AB Lietuvos energija [www.le.lt](http://www.le.lt), the website of AB NASDAQ OMX Vilnius Stock Exchange [www.nasdaqomxbaltic.com](http://www.nasdaqomxbaltic.com) and the Central Storage Facility [www.crib.lt](http://www.crib.lt).

3.2. The company to be active after the Spin-Off:

- name – Public Company LIETUVOS ENERGIJA;
- legal form – public company;
- registered office at Žvejų g. 14, Vilnius, Republic of Lithuania;
- code – 220551550;
- value added tax payer code – LT205515515;
- register in which the data about the Company are accumulated and stored – Register of Legal Entities;
- authorised capital – LTL 489 282 926 (four hundred eighty nine million two hundred eighty two thousand nine hundred twenty six litas), divided into 489 282 926 (four hundred eighty nine million two hundred eighty two thousand nine hundred twenty six) ordinary registered shares of LTL 1 (one litas) par value, issue (ISIN) code LT0000117681;
- amount of the paid-up authorised capital – LTL 489 282 926 (four hundred eighty nine million two hundred eighty two thousand nine hundred twenty six litas);
- period of activity – unlimited;
- all the regulated information published by AB Lietuvos energija, including the historical financial information for 2007, 2008 and 2009 and the interim financial information, may be accessed at the website of AB Lietuvos energija [www.le.lt](http://www.le.lt), the website of AB NASDAQ OMX Vilnius Stock Exchange [www.nasdaqomxbaltic.com](http://www.nasdaqomxbaltic.com) and the Central Storage Facility [www.crib.lt](http://www.crib.lt).

3.3. The new company to be established after the Spin-Off:



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- name – LITGRID turtas AB;
- legal form – public company;
- registered office at A. Juozapavičiaus g. 13, Vilnius, Republic of Lithuania;
- code – the code will be given under the procedure established by legal acts of the Republic of Lithuania after registration of the New Company in the Register of Legal Entities;
- register in which the data about the Company are accumulated and stored – Register of Legal Entities;
- authorised capital – LTL 504 331 380 (five hundred and four million three hundred thirty one thousand three hundred eighty litas), to be formed in accordance with the procedure established in the Spin-Off Terms;
- amount of the paid-up authorised capital – LTL 504 331 380 (five hundred and four million three hundred thirty one thousand three hundred eighty litas);
- period of activity – unlimited;
- share issue (ISIN) code will be given after registration of the share issue of the New Company in the Central Securities Depository.

**4. MODE OF EFFECTING THE SPIN-OFF. COMPANY TO BE WOUND UP AND COMPANIES TO BE ACTIVE AFTER THE SPIN-OFF**

- 4.1. The Spin-Off procedures shall be effected applying the spin-off mode stipulated in paragraph 1 of Article 71 of the Company Law – where a part of the Company which continues its activity shall be separated and a new company of the same legal form shall be established on the basis of the assets, rights and obligations attributed to this part, and, in compliance with the provisions of paragraph 2 of Article 71 of the Company Law, applying to the Spin-Off procedure *mutatis mutandis* the provisions of the Civil Code approved by the 18 July 2000 Law No VIII-1864 of the Republic of Lithuania and Company Law of the Republic of Lithuania regulating the mode of reorganisation - division by the formation of a new company. The Spin-Off may be appealed against in court according to the procedure established by the legal acts of the Republic of Lithuania and in case of the grounds established in the legal acts of the Republic of Lithuania the Spin-Off may be recognised as invalid.
- 4.2. On the basis of the Spin-Off Terms, the part of AB Lietuvos energija, which will continue its activity after the Spin-Off, shall be separated and a new company of the same legal form – LITGRID turtas AB shall be established on the basis of the assets, rights and obligations attributed to this Spin-Off Part in the Spin-Off Terms.
- 4.3. There are no companies which will be wound up after the Spin-Off.
- 4.4. After the Spin-Off, AB Lietuvos energija will continue its activity, and also LITGRID turtas AB will be established and will start its activity.

**5. OBJECTIVES OF THE SPIN-OFF**

- 5.1. On 4 May 2010, the Government of the Republic of Lithuania in its sitting approved the conception of the Law on Electricity of the Republic of Lithuania, which provided for unbundling of electricity transmission activity from the activities of its distribution, generation and supply by choosing the main alternative from the third legislative package for the European Union energy, i.e. full ownership unbundling, ensuring effective separation of electricity transmission activity from electricity generation, supply, and distribution activities. To that end the vertically integrated companies of that sector must

be reorganised so that their control and management would satisfy the requirements of the Directive. On 1 January 2010, AB Lietuvos energija transferred its transmission operator's business to its subsidiary LITGRID AB. However, AB Lietuvos energija remains the owner of the transmission network infrastructure. To achieve full unbundling of the transmission activity and assets from generation and supply activities the conditions must be prepared under which assets and activities unrelated to electricity generation and transmission should be separated from AB Lietuvos energija. For the purpose of implementation of the Lithuanian electricity sector rearrangement plan, AB Lietuvos energija will be used as a basis for formation of the electricity generation block, one of the main objectives of which will be to secure energetic independence of the country and effective satisfaction of the consumers' needs for electricity by using local and renewable energy sources.

5.2. Objectives of the Spin-Off:

- 5.2.1. The aim to ensure the compliance of the activity model of the Lithuanian electricity sector with the national energy strategy, the requirements of the third legislative package for the European Union energy meant for liberalisation of electricity and gas markets, and create conditions for connection of the Lithuanian electricity system with the electricity networks of the continental Europe and ensure financing of the commenced strategic energy project.
- 5.2.2. Creation of conditions for legal independence of the electricity transmission activity and its effective separation from other activities of the electricity sector, thus implementing one of the selected alternatives of separation of the electricity sector established by the third legislative package for the EU energy, i.e. ownership unbundling, ensuring effective separation of electricity transmission activity not only from electricity generation and supply, but also from distribution activities and their commercial interests, i.e. rearrange the vertically integrated energy companies operating in the electricity sector.
- 5.2.3. Creation of conditions for reliable and effective electricity transmission and stability of the energy system in Lithuania.
- 5.2.4. In view of the fact that generally four basic blocks of companies in the energy sector will be formed during the entire rearrangement of the electricity sector: transmission, generation, distribution and servicing, the intention is to create conditions for formation of transmission and generation units, including:
- 5.2.4.1. The main objectives of formation of the transmission unit are: (i) to separate and purify the transmission activity; (ii) to comply with the requirements of the third legislative package for the EU energy; (iii) to form a strong company capable of connecting the Lithuanian electricity networks with the ECN (European Continental Network) network, beginning with the interconnections with Poland, Sweden; (iv) to implement measures which will assist in liberalisation of the electricity market;
- 5.2.4.2. Objectives of formation of the generation unit: (i) to purify and concentrate the generation activity within the company group of AB Lietuvos energija – AB Lietuvos energija (these objectives *inter alia* can be attained by transferring LEL shares to AB Lietuvos energija); (ii) to rearrange and centralize production capacities required for ensuring the independence of the Lithuanian energy.
- 5.2.5. To separate, legally and functionally, the Spin-Off Part from AB Lietuvos energija and establish LITGRID turtas AB on the basis of the assets, rights and obligations attributed to it.

**6. SPIN-OFF TERMS. LEGAL AND ECONOMIC GROUNDS OF THE SPIN-OFF**

- 6.1. Legal and economic grounds for the Spin-Off. The Spin-Off Terms were drawn-up by the board of the Company subject to the resolution of the 18 June 2010 extraordinary meeting

of the Company's shareholders (the draft Spin-Off Terms were discussed at the 24 September 2010 meeting of the board of AB Lietuvos energija and approved by its decision). The Spin-Off Terms were drawn-up subject to the provisions of the Civil Code, Law on Companies and other respective laws and regulations of the Republic of Lithuania. The Spin-Off process is aimed at the implementation of the Spin-Off objectives specified above in this Board Report and the Spin-Off Terms.

6.2. Setting the share exchange ratio and authorised capital.

6.2.1. As at the Day of Execution of the Spin-Off Terms, the Company's 100% (one hundred per cent) shares make up 993 614 306 (nine hundred ninety three million six hundred fourteen thousand three hundred and six) ordinary registered shares of LTL 1 (one litas) par value and the par value of all these shares amounts to LTL 993 614 306 (nine hundred ninety three million six hundred fourteen thousand three hundred and six litas). Notably, as at the Day of Execution of the Spin-Off Terms, the composition of the Company's assets and the amount of the authorised capital, which is equal to LTL 993 614 306 (nine hundred ninety three million six hundred fourteen thousand three hundred and six litas), are different from those which existed as at 30 June 2010 due to the below indicated reasons:

6.2.1.1. On 21 July 2010, the Company's extraordinary general meeting of shareholders decided to increase the Company's authorised capital up to LTL 1 004 973 044 (one billion four million nine hundred seventy three thousand forty four litas) and issue 315 457 609 (three hundred fifteen million four hundred fifty seven thousand six hundred and nine) ordinary registered shares of LTL 1 (one litas) par value each, granting all shareholders of the Company the priority right to acquire the newly issued shares. The issue price of one share was equal to LTL 2.07 (two litas and seven cents), while the total issue price of all shares in the Company was equal to LTL 652 997 250.63 (six hundred fifty two million nine hundred ninety seven thousand two hundred fifty litas and sixty three cents).

6.2.1.2. The period of subscription of the newly issued shares was set from 18 August 2010 till 1 September 2010 (inclusively). On 18 August 2010, VAE, exercising the priority right, signed the share subscription agreement regarding acquisition of 304 098 733 (three hundred and four million ninety eight thousand seven hundred thirty three) ordinary registered shares of the Company of LTL 1 (one litas) par value each, and the total issue price of which was equal to LTL 629 484 377.31 (six hundred twenty nine million four hundred eighty four thousand three hundred seventy seven litas thirty one cents). VAE paid up the subscribed shares of the Company on 18 August 2010 by non-monetary contributions which were transferred to the Company by paying up the newly subscribed shares of the Company and which were made up of the following assets:

6.2.1.2.1. 133 065 125 (one hundred thirty three million sixty five thousand one hundred twenty five) ordinary registered shares in LEL owned and possessed by VAE, which made up 91.27% of all LEL shares the market value of which was set by the independent property valuator in the 19 July 2010 certificate on setting the value of property No 10/07-694 and was equal to LTL 572 180 037.50 (five hundred seventy two million one hundred eighty thousand thirty seven litas and fifty cents).

6.2.1.2.2. The following assets owned and possessed by VAE: (i) 110/6 kV construction TP 110 kV distribution unit, located in Visaginas municipality, Sabatiškų vs., and (ii) 330/110 kV Ignalina distribution unit, located in Visaginas municipality, Drūkšių k. The market value of both distribution units mentioned above was set by the independent property valuator in the 19 July 2010 certificate on setting the value of property No 10-07-01-2638 and was equal to LTL 57 304 340 (fifty seven million three hundred and four thousand three hundred forty litas).

- 6.2.1.3. On 1 September 2010 (inclusively) the period of time set for subscription of the newly issued shares of the Company and on 2 September 2010 the period of time for payment of the newly issued shares of the Company, expired, within which 304 098 871 (three hundred and four million ninety eight thousand eight hundred seventy one) ordinary registered shares of the Company were subscribed for and paid up (apart the shares subscribed by VAE, additionally the share subscription agreement regarding acquisition of 138 (one hundred thirty eight) ordinary registered shares was signed) instead of 315 457 609 (three hundred fifteen million four hundred fifty seven thousand six hundred and nine) shares of the Company intended to be issued. The total par value of the subscribed shares is equal to LTL 304 098 871 (three hundred and four million ninety eight thousand eight hundred seventy one litas), the total issue price of the subscribed shares is LTL 629 484 662.97 (six hundred twenty nine million four hundred eighty four thousand six hundred sixty two litas ninety seven cents). Since during the time-limits for subscription of the shares not all newly issued shares of the Company were subscribed for, therefore, the Company's authorised capital was increased only by the amount of the par values of the subscribed for and paid up shares.
- 6.2.1.4. In view of the provisions in items 6.2.1.1-6.2.1.3 above, on 8 September 2010, the new amount of the Company's authorised capital equal to LTL 993 614 306 (nine hundred ninety three million six hundred fourteen thousand three hundred and six litas) was registered, i.e. the Company's authorised capital was increased from LTL 689 515 435 (six hundred eighty nine million five hundred fifteen thousand four hundred thirty five litas) up to LTL 993 614 306 (nine hundred ninety three million six hundred fourteen thousand three hundred and six litas), which was divided into 993 614 306 (nine hundred ninety three million six hundred fourteen thousand three hundred and six) ordinary registered shares of LTL 1 (one litas) par value each.
- 6.2.2. As at the Day of Execution of the Spin-Off Terms, the Company's shareholders own 100% of the Company's shares, of which: (a) VAE owns 968 799 566 (nine hundred sixty eight million seven hundred ninety nine thousand five hundred sixty six) ordinary registered shares in the Company, which make up 97.5% of all shares in the Company, also taking into account (i) the increase of the Company's authorised capital during which VAE acquired part of the newly issued shares in the Company, as indicated above in items 6.2.1.1-6.2.1.3, and the fact that (ii) on 12 July 2010, VAE acquired from LEO LT, AB, (legal entity code 301844044, registered address Žvejų g. 14, Vilnius, Republic of Lithuania) 18 597 522 (eighteen million five hundred ninety seven thousand five hundred twenty two) ordinary registered shares in the Company, which made up about 2.70% of all shares in the Company, for the price equal to 6 months weighted average in the stock exchange (LTL 38 970 177); and (b) the minor Shareholders hold 24 814 740 (twenty four million eight hundred fourteen thousand seven hundred forty) ordinary registered shares in the Company, which make up about 2.5% of all shares in the Company.
- 6.2.3. The Spin-Off shall be effected so that the amount of the authorised capital and the number of the shares transferred to the LITGRID AB and retained by AB Lietuvos energija after the Spin-Off are directly proportionate to their shareholders' interests in the equity of the Shareholders of AB Lietuvos energija before the Spin-Off. Each existing Shareholder of AB Lietuvos energija shall retain the same ownership right to the part of business of AB Lietuvos energija both prior to and after the Spin-Off (within the amount of the ownership rights to the businesses of AB Lietuvos energija and LITGRID turtas AB to be active after the Spin-off), taking into account the rules of rounding-up and share distribution (which has no material impact on the shareholders' interests due to the insignificance of the rounding-up impact on the absolute amounts), as described below. In view of the above, there would be no material difference in effecting the Spin-off basing on the fair business values or book values. Upon additional evaluation of the changes in AB Lietuvos energija from 30 June 2010 till the Day of Execution of the Spin-Off Terms mentioned in items 6.2.1-6.2.2 of the Board Report and the aspects pertaining to those

changes in respect of the formation of the authorised capital of AB Lietuvos energija and formation of the authorised capital of LITGRID turtas AB mentioned in item 6.2.4. of the Board Report, the exchange ratio of the shares in AB Lietuvos energija is calculated as at the Day of Execution of the Spin-Off Terms basing on the book values of the shares and the net assets being separated, taking into account the corrections relating to the above changes mentioned in items 6.2.1-6.2.2 of the Board Report (the calculation of the exchange ratio of the shares is indicated in Annex 1 to the Spin-Off Terms).

- 6.2.4. While transferring the Spin-Off Part to the New Company being established during the Spin-Off, taking into account the composition of the Spin-Off Part, as the entirety of the assets, rights and obligations, and the Remaining Part, the Company forms its authorised capital by annulling part of the ordinary registered shares in the Company and transferring part of the authorised capital of the Company to the New Company from which the authorised capital of the New Company is formed. While forming the Company's authorised capital and forming the New Company's authorised capital, the following was also taken into account (i) the assets constituting the distribution units mentioned in item 6.2.1.2.2 of Board Report, which is related to the Spin-off Part and was transferred to the Company during the increase of its authorised capital, as described above, during the Spin-Off will be attributed to the New Company; while (ii) the LEL shares owned by the Company, which are not related to the Spin-Off Part, and the money received for 138 shares issued and subscribed for during the issue of the Company's shares, will be attributed to the Company during the Spin-Off.
- 6.2.5. In view of the Spin-Off Part under the 30 June 2010 balance sheet of the Company and taking into account the changes which took place in the Company from 30 June 2010 till the Day of Execution of the Spin-Off Terms mentioned in items 6.2.1-6.2.2 of the Board Report as well as the aspects pertaining to those changes in respect of the formation of the Company's authorised capital and the formation of the New Company's authorised capital mentioned in item 6.2.4 of the Board Report, the Company's authorised capital shall be equal to LTL 489 282 926 (four hundred eighty nine million two hundred eighty two thousand nine hundred twenty six litas) due to annulling of 504 331 380 (five hundred and four million three hundred thirty one thousand three hundred eighty) ordinary registered shares of the Company. Accordingly, the authorised capital of the New Company shall be equal to LTL 504 331 380 (five hundred and four million three hundred thirty one thousand three hundred eighty litas).
- 6.2.6. The formed capital of the New Company and the equity of the shareholders are established basing on the book values of the assets and obligations of the Spin-Off Part in the 30 June 2010 balance sheet of the Company, as provided for in Annexes 1 and 2 of these Spin-Off Terms and taking into account the changes in the Company from 30 June 2010 till the Day of Execution of the Spin-off Terms, as well as the aspects pertaining to those changes in respect of the formation of the Company's authorised capital and formation of the New Company's authorised capital, as indicated in item 6.2.4 of the Board Report.
- 6.3. Rules on distribution of shares among the shareholders. Distribution of shares to the shareholders of the Companies to be Active after the Spin-Off.
- 6.3.1. Due to the Spin-Off, upon formation of the authorised capital of the Company by annulling 504 331 380 (five hundred and four million three hundred thirty one thousand three hundred eighty) ordinary registered shares of the Company, the Company's Shareholders will be issued the shares of the New Company which will be distributed in proportion to the number of shares held by each Shareholder before the Spin-Off in the Company's authorised capital. The right to get the shares in the New Company will be vested in the persons who will be Shareholders of the Company at the end of the day on which the registrar of the Register of Legal Entities will register the newly established company LITGRID turtas AB.

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- 6.3.2. The number of shares in AB Lietuvos energija attributable to the Shareholder of AB Lietuvos energija after the Spin-off of AB Lietuvos energija shall be calculated by multiplying the number of shares held by the Shareholder in AB Lietuvos energija by the coefficient 0.4924274167 and rounding off in the following procedure:
- 6.3.2.1. if the fractional part of the number of shares is equal to 0.5 or more, then the number of the shares granted by AB „Lietuvos energija“ after the Spin-Off shall be rounded up to the whole number;
- 6.3.2.2. if the fractional part of the number of shares is less than 0.5, then the number of the shares granted by AB Lietuvos energija after the Spin-Off shall be rounded down to the whole number (in such case the existing difference between the whole number and its fractional part shall not be compensated in money).
- 6.3.3. The Shareholders of AB Lietuvos energija who, under the rules on share exchange stipulated in item 6.3.2, after the rounding-off are attributed the number of shares in AB Lietuvos energija lesser than 1 (one), shall be granted 1 (one) share of AB Lietuvos energija.
- 6.3.4. After determining that the number of shares calculated to the Shareholders under items 6.3.2.1 and 6.3.2.2 exceeds the authorised capital of AB Lietuvos energija formed after the Spin-Off, the number of shares to the Shareholder to who the biggest number of shares in AB Lietuvos energija after its Spin-Off will be calculated under items 6.3.2.1 and 6.3.2.2 of the Spin-Off Terms, shall be reduced by the number equal to the difference between the number of shares calculated to the Shareholders under items 6.3.2.1 and 6.3.2.2 and the number of the authorised capital of AB Lietuvos energija formed after the Spin-Off.
- 6.3.5. After determining that the number of shares calculated to the Shareholders under items 6.3.2.1 and 6.3.2.2 is less than the authorised capital of AB Lietuvos energija formed after the Spin-Off, the number of shares to the Shareholder to who the biggest number of shares in AB Lietuvos energija after its Spin-Off will be calculated under items 6.3.2.1 and 6.3.2.2, shall be increased by the number equal to the difference between the number of shares calculated to the Shareholders under items 6.3.2.1 and 6.3.2.2 and the number of the authorised capital of AB Lietuvos energija formed after the Spin-Off.
- 6.3.6. The number of shares in LITGRID turtas AB attributable to the shareholder of LITGRID turtas AB after the Spin-Off of AB Lietuvos energija shall be calculated by multiplying the number of shares in AB Lietuvos energija held by the Shareholder by the coefficient 0.5075725833 and rounding off in the following procedure:
- 6.3.6.1. if the fractional part of the number of shares is equal to 0.5 or more, then the number of the shares granted by LITGRID turtas AB after the Spin-Off shall be rounded up to the whole number;
- 6.3.6.2. if the fractional part of the number of shares is less than 0.5, then the number of the shares granted by LITGRID turtas AB after the Spin-off shall be rounded down to the whole number (in such case the existing difference between the whole number and its fractional part shall not be compensated in money).
- 6.3.7. Shareholders of LITGRID turtas AB who, under the rules on share exchange stipulated in item 6.3.6, after the rounding-off are attributed the number of shares in LITGRID turtas AB lesser than 1 (one), shall be granted 1 (one) share in LITGRID turtas AB.
- 6.3.8. After determining that the number of shares calculated to the Shareholders under items 6.3.6.1 and 6.3.6.2 exceeds the authorised capital of LITGRID turtas AB, the number of shares to the Shareholder to who the biggest number of shares in LITGRID turtas AB will be calculated under items 6.3.6.1 and 6.3.6.2, shall be reduced by the number equal to the difference between the number of shares calculated to the Shareholders under items 6.3.6.1 and 6.3.6.2 and the number of the authorised capital of LITGRID turtas AB.

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- 6.3.9. After determining that the number of shares calculated to the Shareholders under items 6.3.6.1 and 6.3.6.2 is less than the authorised capital of LITGRID turtas AB, the number of shares to the Shareholder to who the biggest number of shares in LITGRID turtas AB will be calculated under items 6.3.6.1 and 6.3.6.2, shall be increased by the number equal to the difference between the number of shares calculated to the Shareholders under items 6.3.6.1 and 6.3.6.2 and the number of the authorised capital of LITGRID turtas AB.
- 6.3.10. At least for 5 (five) business days following the Company's general meeting of shareholders at which the Company's shareholders will consider the issue regarding approval of the Spin-Off and the Spin-Off Terms and other issues, AB Lietuvos energija shall not apply for suspending the trade in shares of AB Lietuvos energija in order for the Shareholders of AB Lietuvos energija to be able to transfer at their own discretion the shares held by them in AB Lietuvos energija to other persons.
- 6.3.11. Prior to presentation of documents to the registrar of the Register of Legal Entities for the registration of the newly established company LITGRID turtas AB, an application shall be submitted for suspension of the trading in shares of AB Lietuvos energija in the additional trading list of AB NASDAQ OMX Vilnius stock exchange. It is intended to suspend the trading in shares of AB Lietuvos energija until the day on which the registrar of the Register of Legal Entities registers the newly established public company – LITGRID turtas AB and the Central Securities Depository of Lithuania makes the required entries in the securities accounts of AB Lietuvos energija and LITGRID turtas AB, unless it would be necessary to suspend the above trading for a longer period.
- 6.3.12. Shares of each Company to be Active shall be non-certificated and after the Spin-Off, basing on the Spin-Off Terms, each of the Companies to be Active or the respective account managers shall make the respective entries certifying the loss of the Company's shares due to the formation of the authorised capital of the Company (by annulling the respective part of the ordinary registered shares of the Company) and the entries certifying the ownership right of the Shareholders of AB Lietuvos energija to the shares in the New Company, after the Central Securities Depository of Lithuania opens a securities account of the New Company and corrects the securities account of the Company.
- 6.3.13. An application shall be submitted to AB NASDAQ OMX Vilnius for inclusion of the shares of the New Company into trading in the market regulated by AB NASDAQ OMX Vilnius until the completion of the Spin-Off or immediately following the completion of the Spin-Off.
- 6.4. Authorised capital of AB Lietuvos energija. The authorised capital of the Company continuing its activities after the Spin-Off will be formed taking into consideration the fact that the shares of the New Company, i.e. 504,331,380 (five hundred four million three hundred thirty-one thousand three hundred and eighty) ordinary registered shares of LTL 1 (one) par value each, will be handed out to the Company's Shareholders based on the share exchange ratio and the share distribution rules provided in this Board Report and the Spin-Off Terms. 100% (one hundred percent) of the shares in the Company continuing its activities after the Spin-Off will therefore comprise 489,282,926 (four hundred eighty-nine million two hundred eighty-two thousand nine hundred and twenty-six) ordinary registered shares of LTL 1 (one) par value each and the total par value of all those shares and of the authorised capital of the Company will be equal to LTL 489,282,926 (four hundred eighty-nine million two hundred eighty-two thousand nine hundred and twenty-six litas).
- 6.5. Authorised capital of LITGRID turtas AB. The authorised capital of the New Company will be formed taking into consideration the fact that as a result of the Spin-Off and formation of the Company's authorised capital in the amount of LTL 489 282 926 (four hundred eighty-nine million two hundred eighty-two thousand nine hundred and twenty-six litas), ordinary registered shares of the New Company, i.e. 504,331,380 (five hundred four million three hundred thirty-one thousand three hundred and eighty) ordinary registered shares of LTL 1 (one) par value each, will be handed out to the Company's

Shareholders based on the share exchange ratio and the share distribution rules provided in this Board Report and the Spin-Off Terms. 100% (one hundred percent) of the shares in the New Company will therefore comprise 504,331,380 (five hundred four million three hundred thirty-three thousand three hundred and eighty) ordinary registered shares of LTL 1 (one) par value each and the total par value of all those shares and of the authorised capital of the New Company will be equal to LTL 504,331,380 (five hundred four million three hundred thirty-one thousand three hundred and eighty litas).

## **7. CONTINUITY OF BUSINESS; SPIN-OFF TERMS AND CONDITIONS**

- 7.1. Subject to the Spin-Off Terms, the company to remain active after completion of the Spin-Off will be AB Lietuvos energija, and the new company, LITGRID turtas AB, will be established and begin its activities.
- 7.2. After separation from AB Lietuvos energija of the Spin-Off Part, both AB Lietuvos energija, continuing its activities after the Spin-Off, and LITGRID turtas AB, formed and established on the basis of the Spin-Off Part, will be financially capable to carry out their activities:
- 7.2.1. During the Spin-Off, LTL 6,000,000 (six million litas) will be allocated and transferred to the New Company as its working capital, which will enable the New Company to carry out its activities without any interruptions. Moreover, after the Spin-Off the New Company will supply its subsidiary LITGRID AB with the assets required for the purpose of operations of LITGRID AB, and to pay for the lease and asset management services under the 9 December 2009 agreement concluded and valid between the Company and LITGRID AB prior to the Spin-Off, which during the Spin-Off will be assigned to and taken over by the New Company. Consequently, the New Company will receive from LITGRID AB sufficient funds for carrying out everyday activities of the New Company. Under the same agreement mentioned in the previous sentence, the New Company will also receive funds for its periodic investments (restoration of the existing electricity transmission network). For its strategic investments (construction of interconnections with Poland and Sweden) the New Company will raise funds from financial markets.
- 7.2.2. The Company continuing its activities after the Spin-Off will proceed with its electricity generation, power reservation and electricity import/export activities. After decommissioning of the Ignalina Power Plant in 2010 and transfer of the transmission system operator's functions from the Company to its subsidiary LITGRID AB, the Company successfully took-up power generation activity and is selling electricity under market conditions thus generating cash flows necessary for increasing generation effectiveness. The Company operating under such circumstances will continue its activities after the Spin-Off and therefore it will be able to secure the cash flows needed to finance its future investments and raise funds from financial markets.
- 7.2.3. Optimisation of the activities of the whole energy sector resulting from its rearrangement, including formation of the block of servicing companies which will render services to both Companies to be Active after the Spin-Off, will also help to ensure the financial stability of the New Company and of the Company continuing its activities after the Spin-Off.
- 7.3. Objectives of the New Company's business: possession, use and disposal of the electricity transmission system assets and appurtenances; management of operating companies performing the functions of electricity transmission system and market operators; management of the companies which own or develop, possess, use or dispose of the interconnections with other countries. The New Company will be entitled to engage in the activities which do not contradict its business objectives and laws of the Republic of Lithuania.



- 7.4. Business objectives of the Company active after the Spin-Off: to carry out electricity generation, supply, import, export and sale activities and to contribute to securing energetic safety. The Company may engage in other activities which do not contradict its business objectives and laws of the Republic of Lithuania.
- 7.5. During the rearrangement of the electricity sector (which is not directly related to the Company Spin-Off process) a block of servicing companies will be formed in order to separate the ancillary business of the electricity sector and to create a functionally clear its structure. After separation from the Company of the businesses directly unrelated to electricity generation into separate companies within the servicing block, the Company will be able to mobilise its operations and respective competences for the main activities of the production block companies – generation of electricity. In view of the above, the Company (i) already being a shareholder of several servicing block companies (i.e. IT Commerce and Asset Management Company) intends to invest additionally part of its assets into such ancillary companies in consideration for the newly issued shares of such companies; and (ii) intends to invest additionally part of its assets into other servicing companies of the VAE group (i.e. ETP, TETAS, TIC) in consideration for the newly issued shares of such companies. The assets invested by the Company into such servicing block companies will be related both to the Remaining Part, which is not attributed and will not be transferred to the New Company, and to the Spin-Off Part, which is attributed to the New Company. Since the Company is planning to invest into such servicing block companies its assets which are related to the Spin-Off Part and attributed to the New Company, then, depending on when such investment of the Company's assets into respective servicing block companies is made, i.e. whether prior or after the moment of signing of the Transfer-Acceptance Act, the general principle is that during the Spin-Off either (i) the newly issued shares of such servicing block companies belonging to the Company and to be received by it in proportion to the assets relating to the Spin-Off Part and transferred to a respective servicing block company, or (ii) respective assets belonging to the Company and relating to the Spin-Off Part, which the Company intended to invest into such servicing block companies will be transferred to the New Company.
- 7.6. Transfer of the assets, rights and obligations to the New Company.
- 7.6.1. The current and non-current assets, rights and obligations attributable to the New Company relating to the Spin-Off Part as at 30 June 2010 are established on the basis of the principles of drawing up of the Spin-Off Balance Sheets as at 30 June 2010 attached in Annex 1 of the Spin-Off Terms and the Spin-Off Balance Sheets as at 30 June 2010 attached in Annex 2 of the Spin-Off Terms drawn up basing on the interim financial statements of the Company as at 30 June 2010 and the principles of drawing up the Spin-Off Balance Sheets as at 30 June 2010 attached in Annex 1 to the Spin-Off Terms.
- 7.6.2. During the Spin-Off, the Spin-Off Part shall be transferred to the New Company in compliance with the principles of drawing up of the Final Spin-Off Balance Sheets stipulated in Annex 3 to the Spin-Off Terms by transferring the entire assets owned or possessed by the Company under any other legal grounds relating to the Spin-Off Part, as well as all rights, obligations and transactions of the Company relating to the Spin-Off Part and/or the assets owned or possessed by the Company under any other legal grounds to be transferred to the New Company under the Spin-Off Terms, which are held by the Company as at the Day of Execution of the Spin-Off Terms or may acquire until the day of execution of the Transfer-Acceptance Act, i.e. the part of the Company in the form of assets, rights and obligations which, from an organisational point of view, constitute an independent economic entity carrying out its activities and capable of functioning by its own means basing on the below principles, unless otherwise stipulated in the Spin-Off Terms or the Decision on the Company Spin-Off (if it does not contradict the legal acts of the Republic of Lithuania), including, but not limiting to the below assets, rights and obligations:

- 7.6.2.1. The entire non-current and current assets of the Company relating to the Spin-Off Part which shall be specified in the Transfer-Acceptance Act shall be transferred to the New Company, in accordance with the principles of drawing up the Final Spin-Off Balance Sheets attached in Annex 3 to the Spin-Off Terms. Such as:
- 7.6.2.1.1. The entire stocks owned by the Company relating to the Spin-Off Part which are enumerated in Annex 9 to the Spin-Off Terms shall be transferred to the New Company. The assets defined in this item shall be specified in the Transfer-Acceptance Act in compliance with the principles of drawing up of the Final Spin-Off Balance Sheets attached in Annex 3 to the Spin-Off Terms.
  - 7.6.2.1.2. The Assets of the Transmission System relating to the Spin-Off Part which is enumerated in Annex 10 to the Spin-Off Terms (this will also include the Assets of the Transmission System subject to registration relating to the Spin-Off Part) shall be transferred to the New Company. In addition, the Assets of the Transmission System subject to registration relating to the Spin-Off Part which shall be transferred to the New Company and reflected in Annex 10 to the Spin-Off Terms, shall also be enumerated in Annex 11 to the Spin-Off Terms. The assets defined in this item shall be specified in the Transfer-Acceptance Act in compliance with the principles of drawing up of the Final Spin-Off Balance Sheets stipulated in Annex 3 to the Spin-Off Terms.
  - 7.6.2.1.3. All shares in LITGRID AB, engaged in the activities of electricity transmission system operator, owned by the Company shall be transferred to the New Company.
  - 7.6.2.1.4. All shares in LitPol Link Sp.z.o.o (code 0000311446, registered office at Wojciecha Górskiego g. 900-033 Warsaw, Republic of Poland) owned by the Company shall be transferred to the New Company.
- 7.6.2.2. During the rearrangement of the electricity sector, a unit of service companies will also be formed. To this end, the Company intends to invest into ETP and TETAS a part of the assets owned by the Company relating to the Spin-Off Part in exchange for the newly issued shares of ETP and TETAS. In view of the above, (i) the entire assets owned by the Company used in TED activities relating to the Spin-Off Part, cash in the amount of LTL 1 000 000 (unless otherwise resolved while adopting a decision regarding the increase of the authorised capital of the respective company) and all EP shares, in compliance with the principles of drawing up of the Final Spin-Off Balance Sheets stipulated in Annex 3 to the Spin-Off Terms, or (ii) all TETAS shares and ETP shares owned by the Company, in compliance with the principles of drawing up of the Final Spin-Off Balance Sheets stipulated in Annex 3 to the Spin-Off Terms, shall be attributed and transferred to the New Company, in view of the below enumerated principles:
- 7.6.2.2.1. It is planned that, until the moment of signing the Transfer-Acceptance Act, the Company will become a participant in TETAS and transfer to TETAS (i) the assets used in TED activity owned by the Company relating to the Spin-Off Part, which is enumerated in Annex 12 to the Spin-Off Part and other assets relating to TED activity and acquired after 30 June 2010 in the course of ordinary activity; (ii) all EP shares owned by the Company; and (iii) cash in the amount of LTL 750 000 (unless otherwise resolved while adopting a decision regarding the increase of TETAS authorised capital), in compliance with the principles of drawing up of the Final Spin-Off Balance Sheets stipulated in Annex 3 to the Spin-Off Part. The Company shall contribute into TETAS authorised capital the above assets owned by the Company relating to the Spin-Off Part used in TED activities, EP shares and the cash. Thus, the Company will acquire the newly issued TETAS shares given in proportion to the above assets to be transferred to TETAS (including the cash and EP shares). Therefore, in view of the above:

- 7.6.2.2.1.1. if until the moment of signing of the Transfer-Acceptance Act, TETAS authorised capital is not increased and the Company does not acquire the newly issued TETAS shares, as defined above, then the Final Spin-Off Balance Sheet of the New Company shall provide for and at the time of signing the Transfer-Acceptance Act, the above mentioned assets used in TED activity owned by the Company relating to the Spin-Off Part, which is enumerated in Annex 12 to the Spin-Off Terms, and other assets relating to TED activity and acquired after 30 June 2010 in the course of ordinary activity as it will be specified in the Transfer-Acceptance Act, the cash and EP shares, shall be transferred to the New Company, in compliance with the principles of drawing up of the Final Spin-Off Balance Sheets provided in Annex 3 to the Spin-Off Terms; or
- 7.6.2.2.1.2. if until the moment of signing of the Transfer-Acceptance Act, TETAS authorised capital is increased and, accordingly, the Company acquires part of the newly issued shares in TETAS, as said above, then the Final Spin-Off Balance Sheet of the New Company shall provide for and at the time of signing the Transfer-Acceptance Act, all TETAS shares owned by the Company shall be transferred to the New Company, in compliance with the principles of drawing up of the Final Spin-Off Balance Sheets provided in Annex 3 to the Spin-Off Terms.
- 7.6.2.2.2. It is planned that until the moment of signing the Transfer-Acceptance Act, the Company will become a participant in ETP and transfer to ETP (i) the assets used in TED activities owned by the Company relating to the Spin-Off Part, which is enumerated in Annex 13 of the Spin-Off Terms and other assets relating to TED activity and acquired after 30 June 2010 in the course of ordinary activity; and (ii) cash in the amount of LTL 250 000 (unless otherwise resolved while adopting a decision regarding the increase of ETP authorised capital), in compliance with the principles of drawing up of the Final Spin-Off Balance Sheets provided in Annex 3 to the Spin-Off Terms. The Company shall contribute into ETP authorised capital the above assets owned by the Company relating to the Spin-Off Part used in TED activities and the cash. Thus, the Company shall acquire the newly issued ETP shares given in proportion to the above assets to be transferred to ETP (including the cash). Therefore, in view of the above:
- 7.6.2.2.2.1. if until the moment of signing of the Transfer-Acceptance Act, ETP authorised capital is not increased and the Company does not acquire the newly issued ETP shares, as defined above, then the Final Spin-Off Balance Sheet of the New Company shall provide for and at the time of signing the Transfer-Acceptance Act, the above mentioned assets used in TED activity owned by the Company relating to the Spin-Off Part, which is enumerated in Annex 13 to the Spin-Off Terms and other assets relating to TED activity and acquired after 30 June 2010 in the course of ordinary activity as it will be specified in the Transfer-Acceptance Act and the cash, shall be transferred to the New Company, in compliance with the principles of drawing up of the Final Spin-Off Balance Sheets provided in Annex 3 to the Spin-Off Terms; or
- 7.6.2.2.2.2. if until the moment of signing of the Transfer-Acceptance Act, ETP authorised capital is increased and, accordingly, the Company acquires part of the newly issued shares in ETP, as said above, then the Final Spin-Off Balance Sheet of the New Company shall provide for and at the time of signing the Transfer-Acceptance Act, all ETP

shares owned by the Company shall be transferred to the New Company, in compliance with the principles of drawing up of the Final Spin-Off Balance Sheets provided in Annex 3 to the Spin-Off Terms.

7.6.2.3. During the rearrangement of the electricity sector, a unit of service companies will also be formed. To this end, the Company intends to invest into TIC a part of the assets owned by the Company relating in proportion to both the Remaining Part and the Spin-Off Part in exchange for the newly issued shares of TIC. In view of the above, either (i) the assets owned by the Company which is used in the Corporate Information Technologies (CIT) activities carried out by the Company relating in proportion to the Spin-Off Part, and certain amount of cash (calculated in compliance with the principles indicated below in item 7.6.2.3.1.1), in compliance with the principles of drawing up of the Final Spin-Off Balance Sheets stipulated in Annex 3 to the Spin-Off Terms, or (ii) the part of TIC shares owned by the Company, in compliance with the principles of drawing up of the Final Spin-Off Balance Sheets stipulated in Annex 3 to the Spin-Off Terms, shall be attributed and transferred to the New Company, in view of the below enumerated principles:

7.6.2.3.1. It is planned that, until the moment of signing the Transfer-Acceptance Act, the Company will become a participant in TIC and transfer to TIC the assets owned by the Company used in CIT activities relating in proportion to both the Spin-Off Part and the Remaining Part (which shall not be transferred to the New Company, as stipulated in Section 10 of the Spin-Off Terms), i.e. (i) 18 478 (eighteen thousand four hundred seventy eight) shares in the Property Management Company owned by the Company; (ii) all shares in InterLinks, UAB, owned by the Company; (iii) the cash in the amount of LTL 700 000 (unless otherwise resolved while adopting a decision regarding the increase of TIC authorised capital), and (iv) all assets owned by the Company used in CIT activities relating in proportion to both the Spin-Off Part and the Remaining Part, as enumerated in Annex 14 to the Spin-Off Terms and other assets relating to CIT activity and acquired after 30 June 2010 in the course of ordinary activity, in compliance with the principles of drawing up of the Final Spin-Off Balance Sheets stipulated in Annex 3 to the Spin-Off Terms. The Company shall contribute to TIC authorised capital all the above assets owned by the Company used in CIT activities, relating in proportion to both the Remaining Part and the Spin-Off Part, the shares of the above companies and cash. Thus, the Company shall acquire a certain part of newly issued TIC shares in proportion to the entire assets above to be transferred (including the shares of the above companies and cash). Therefore, in view of the above:

7.6.2.3.1.1. if until the moment of signing of the Transfer-Acceptance Act, TIC authorised capital is not increased and, accordingly, the Company does not acquire the newly issued TIC shares, as defined above, then the Final Spin-Off Balance Sheet of the New Company shall provide for and at the time of signing the Transfer-Acceptance Act, (i) the assets owned by the Company used in CIT activities only for provision of services to the New Company (as relating to the Spin-Off Part), which is marked by the sign (NB) in Annex 14 of the Spin-Off Terms and other assets relating to CIT activity and acquired after 30 June 2010 in the course of ordinary activity, shall be transferred to the New Company; and (ii) cash in the amount equal to the difference between the product of the market value of the assets calculated in item 7.6.2.3.1.2 and the degree of use of the assets required for provision of services to the New Company, and the established market value of the assets under the mark (NB) mentioned in part (i) of this item 7.6.2.3.1.1, shall be attributed to the New Company, and

which (i.e. the assets and cash) shall be specified in the Transfer-Acceptance Act, in compliance with the principles of drawing up of the Final Spin-Off Balance Sheets provided in Annex 3 to the Spin-Off Terms; or

7.6.2.3.1.2. if until the moment of signing of the Transfer-Acceptance Act, TIC authorised capital is increased and, accordingly, the Company acquires the newly issued shares in TIC, as said above, then the Final Spin-Off Balance Sheet of the New Company shall provide for and at the time of signing the Transfer-Acceptance Act, the part of TIC shares owned by the Company which shall be given to the Company in proportion to the assets owned by the Company transferred to TIC used in CIT activities, relating in proportion to the Spin-Off Part (the attributed proportions are indicated in Annex 14), as defined above, shall be transferred to the New Company, in compliance with the principles of drawing up of the Final Spin-Off Balance Sheets provided in Annex 3 to the Spin-Off Terms.

7.6.2.4. During the rearrangement of the electricity sector, a unit of service companies will also be formed. To this end, the Company intends to invest into the Property Management Company a part of the assets owned by the Company relating to both the Remaining Part and the Spin-Off Part in exchange for the newly issued shares of the Property Management Company. In view of the above, either (i) the cars and other vehicles used in the Transmission System Operator's Activities relating to the Spin-Off Part, in compliance with the principles of drawing up of the Final Spin-Off Balance Sheets provided in Annex 3 to the Spin-Off Terms, or (ii) the part of the shares of the Property Management Company owned by the Company, in compliance with the principles of drawing up of the Final Spin-Off Balance Sheets provided in Annex 3 to the Spin-Off Terms, shall be attributed and transferred to the New Company, in view of the following principles:

7.6.2.4.1. It is planned that, until the moment of signing the Transfer-Acceptance Act, the Company will invest and transfer to the Property Management Company the assets owned by the Company relating to both the Remaining Part (including the real property and property relating to it, used in the Company's corporate activities), which shall not be transferred to the New Company, as stipulated in Section 10 of the Spin-Off Terms, and the Spin-Off Part (i.e. the cars and other vehicles used in the Transmission System Operator's Activities), which is enumerated in Annex 15 to the Spin-Off Terms, in compliance with the principles of drawing up of the Final Spin-Off Balance Sheets provided in Annex 3 to the Spin-Off Terms. The Company shall contribute to the authorised capital of the Property Management Company the above mentioned assets owned by the Company relating to both the Remaining Part and the Spin-Off Part. Thus, the Company shall acquire a certain part of the newly issued shares in the Property Management Company in proportion to the above assets being transferred. Therefore, in view of the above:

7.6.2.4.1.1. if until the moment of signing of the Transfer-Acceptance Act, the authorised capital of the Property Management Company is not increased and, accordingly, the Company does not acquire the newly issued shares in the Property Management Company, as defined above, then the Final Spin-Off Balance Sheet of the New Company shall provide for and at the time of signing the Transfer-Acceptance Act, the above mentioned cars and other vehicles used in the Transmission System Operator's Activity relating to the Spin-Off Part, which are marked under (NB) (as relating to the Spin-Off Part) in the same Annex 15 to the Spin-Off Terms and which shall be specified in the Transfer-Acceptance Act, shall be transferred to the

New Company, in compliance with the principles of drawing up of the Final Spin-Off Balance Sheets provided in Annex 3 to the Spin-Off Terms; or

- 7.6.2.4.1.2. if until the moment of signing of the Transfer-Acceptance Act, the authorised capital of the Property Management Group is increased and, accordingly, the Company acquires the newly issued shares in the Property Management Company, as said above, then the Final Spin-Off Balance Sheet of the New Company shall provide for and at the time of signing the Transfer-Acceptance Act, the part of the shares in the Property Management Company owned by the Company which shall be given to the Company in proportion to the assets transferred to the Property Management Company (the vehicles) relating to the Spin-Off Part, as described above, shall be transferred to the New Company, in compliance with the principles of drawing up of the Final Spin-Off Balance Sheets provided in Annex 3 to the Spin-Off Terms.
- 7.6.2.5. Fibre Lines 1 used in the Transmission System Operator's Activities relating to the Spin-Off Part, which are separately enumerated in Annex 16 to the Spin-Off Terms (Fibre Lines 1 are also repeatedly indicated in Annex 10 to the Spin-Off Terms), shall be transferred to the New Company. The assets defined in this item shall be specified in the Transfer-Acceptance Act, in compliance with the principles of drawing up of the Final Spin-Off Balance Sheets provided in Annex 3 to the Spin-Off Terms.
- 7.6.2.6. All employees of the Company relating to the Spin-Off Part enumerated in Annex 17 to the Spin-Off Terms shall be transferred to the New Company. The New Company shall take over employment contracts of such employees and all employer's rights and obligations from the moment of the signing of the Transfer-Acceptance Act. The employment relations of the Company's employees transferred during the Spin-Off to the New Company shall not terminate, the employees' rights and obligations under their employment contracts shall remain, including their length of service. The list of employees to be transferred to the New Company as defined in this item of the Spin-Off Terms shall be specified in the Transfer-Acceptance Act.
- 7.6.2.7. Additionally, to the extent related to the activity of servicing the electricity network carried out by the Company, the employees of the Company relating to the Spin-Off Part, which are enumerated in Annex 18 to the Spin-Off Terms, shall also be transferred to the New Company, if until the moment of signing of the Transfer-Acceptance Act, ETP authorised capital is not increased, as described above in the Board Report. Accordingly, the New Company shall take over employment contracts of such employees and all employer's rights and obligations from the moment of signing of the Transfer-Acceptance Act, as described above in item 7.6.2.6 of the Board Report. The list of employees to be transferred to the New Company described in this item shall be specified in the Transfer-Acceptance Act.
- 7.6.2.8. Additionally, to the extent related to the activity of servicing the electricity network carried out by the Company, the employees of the Company relating to the Spin-Off Part, which are enumerated in Annex 19 to the Spin-Off Terms, shall also be transferred to the New Company, if until the moment of signing of the Transfer-Acceptance Act, TETAS authorised capital is not increased, as described above in the Board Report. Accordingly, the New Company shall take over employment contracts of such employees and all employer's rights and obligations from the moment of signing of the Transfer-Acceptance Act, as described above in item 7.6.2.6 of the Board Report. The list of employees to be transferred to the New Company described in this item shall be specified in the Transfer-Acceptance Act.

- 7.6.2.9. All rights and obligations relating to the Spin-Off Terms shall be transferred to the New Company under the agreements enumerated in Annex 20 to the Spin-Off Terms and which shall be specified in the Transfer-Acceptance Act. Accordingly, the New Company shall take over the rights and obligations arising from the agreements indicated in this item from the moment of the signing of the Transfer-Acceptance Act.
- 7.6.2.10. (i) All rights and obligations relating to the Spin-Off Part under the state land lease agreements regarding land lease (sublease), which are enumerated in Annex 21 to the Spin-Off Terms and which shall be specified in the Transfer-Acceptance Act; as well as (ii) the servitudes relating to the Spin-Off Part and all rights and obligations relating to them under the agreements enumerated in Annex 22 to the Spin-Off Terms and which shall be specified in the Transfer-Acceptance Act, shall be transferred to the New Company. Accordingly, the New Company shall take over the servitudes and the rights and obligations arising from the agreements indicated in this item from the moment of signing of the Transfer-Acceptance Act.
- 7.6.2.11. Additionally, to the extent related to the activity of servicing the electricity network carried out by the Company, the rights and obligations relating to the Spin-Off Part under the agreements enumerated in Annex 23 to the Spin-Off Terms and which shall be specified in the Transfer-Acceptance Act, shall also be transferred to the New Company, if until the moment of signing of the Transfer-Acceptance Act, ETP authorised capital is not increased, as described above in the Board Report, and/or such agreements are not transferred to ETP. Accordingly, the New Company shall take over the rights and obligations arising from the agreements indicated in this item from the moment of signing of the Transfer-Acceptance Act.
- 7.6.2.12. Additionally, to the extent related to the activity of servicing the electricity network carried out by the Company, the rights and obligations relating to the Spin-Off Part under the agreements enumerated in Annex 24 to the Spin-Off Terms and which shall be specified in the Transfer-Acceptance Act, shall be transferred to the New Company, if until the moment of signing of the Transfer-Acceptance Act, TETAS authorised capital is not increased, as described above in the Board Report, and/or such agreements are not transferred to TETAS. Accordingly, the New Company shall take over the rights and obligations arising from the agreements indicated in this item from the moment of signing of the Transfer-Acceptance Act.
- 7.6.2.13. (i) All rights and obligations arising from negotiations regarding conclusion of agreements relating to the Spin-Off Part, which will be concluded already after the moment of execution of the Transfer-Acceptance Act, however, which, if concluded before the moment of execution of the Transfer-Acceptance Act, would have been transferred to the New Company; as well as (ii) all rights and obligations arising from public procurement procedures relating to the Spin-Off Part, which will be started by the Company until the moment of the signing of the Transfer-Acceptance Act and which shall be indicated in the Transfer-Acceptance Act, shall be transferred to the New Company. Accordingly, the New Company shall take over the rights and obligations indicated in this item from the moment of signing of the Transfer-Acceptance Act, as well as shall proceed with the public procurement procedures started by the Company and transferred to the New Company, including conclusion and signing of agreements and all other required documents with successful tenderers of such public procurement procedures.
- 7.6.2.14. All studies possessed and scientific investigations performed by the Company relating to the Spin-Off Part, as well as all rights and obligations relating to them enumerated in Annex 25 to the Spin-Off Terms and which shall be specified in the Transfer-Acceptance Act, shall be transferred to the New Company. Accordingly, the New Company shall take over the studies and performed scientific investigations indicated in this item and the rights and obligations relating to them from the moment of signing of the Transfer-Acceptance Act.

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- 7.6.3. The composition of the assets, rights and obligations transferred to the New Company at the moment of the factual transfer to the New Company shall be established in the Transfer-Acceptance Act basing on the factual condition as on the day of execution of the Transfer-Acceptance Act, in compliance with the principles of drawing up of the Final Spin-Off Balance Sheets provided in Annex 3 to the Spin-Off Terms.
- 7.6.4. In case the rights and obligations of the Company arising from one transaction (or in other cases when the respective rights and obligations may not be divided among the Companies to be Active) need to be attributed to several Companies to be Active, such Companies to be Active shall make every and all reasonable efforts (e.g., shall conclude new transactions establishing rights and obligations as close as possible in their content and financial effect to the rights and obligations in the original transaction, which could be attributed to the Companies to be Active) in order for the respective Company to be Active to acquire the rights and obligations attributable to the respective Spin-Off Part.
- 7.6.5. In case the transfer of the respective rights and obligations under the transactions or other rights and obligations requires approvals/authorisations for such transactions by other parties or state or municipal institutions, the Company until the completion of the Spin-Off and the Companies to be Active after the completion of the Spin-Off shall make every and all reasonable efforts in order to obtain such approvals/authorisations. If such approvals are not obtained until the signing of the Transfer-Acceptance Act, the Company and the New Company shall make every and all reasonable efforts in order for the New Company to acquire, instead of the part of the rights and obligations it cannot acquire, the rights and obligations which are as close as possible in their content and financial effect (e.g., conclude a new transaction establishing the similar rights and obligations or obtain the respective authorisation or licence).
- 7.6.6. During the Spin-Off, the New Company shall take over under the Transfer-Acceptance Act (unless the imperative legal rules stipulate otherwise) or under the procedure established by legal acts renew all licences, permits or authorisations relating to the Spin-Off Part which are required for carrying out its activity, if such licences, permits or authorisations are not required for the Company itself; or shall obtain anew all licences, permits or authorisations required for carrying out its activity.
- 7.6.7. In case the changes in the Company's activity mentioned in items 7.6.2.2-7.6.2.4 of the Board Report were made before the adoption of the Decision on the Company Spin-Off and such changes are to be deemed material changes in the Company's assets, rights and obligations, the head of the Company shall prepare and present the notifications provided for in paragraph 4 of Article 65 of the Company Law.
- 7.6.8. In case of any non-compliances in respect of the assets, rights and obligations to be transferred to the New Company, the following documents should be taken as a basis: (i) the principles indicated in Annex 3 to the Spin-Off Terms, the Final Spin-Off Balance Sheets and the Transfer-Acceptance Act; and (ii) Annexes 1 and 2 to the Spin-Off Terms.
- 7.6.9. Transfer of assets, rights and obligations relating to the Spin-Off Part shall be carried out taking into consideration all the changes conditioned by the Company's economic activity until the date of transfer of assets, rights and obligations relating to the Spin-Off Part. The Spin-Off Part shall pass to the New Company under the Transfer-Acceptance Act (all the documents comprising the Transfer-Acceptance Act) as of signing of such Transfer-Acceptance Act.
- 7.6.10. The Transfer-Acceptance Act shall be executed after completion of the Spin-Off. After completion of the Spin-Off and based on the Transfer-Acceptance Act the Final Spin-Off Balance Sheets shall be drawn-up as at the date of the Transfer-Acceptance Act (i.e. the date of the Final Spin-Off Balance Sheets and the date of the Transfer-Acceptance Act shall be the same), which shall disclose the Company's equity, assets and obligations remaining with the Company after the Spin-Off and the equity, assets and obligations of the New Company in fact transferred to it based on the principles and procedure of



drawing-up of the Final Spin-Off Balance Sheets specified in Annex 3 to the Spin-Off Terms.

- 7.6.11. The Transfer-Acceptance Act shall provide for the composition of the assets, rights and obligations transferred to the New Company at the time of their actual transfer based on their condition existing on the day of execution of the Transfer-Acceptance Act, in accordance with the principles and procedure of drawing-up of the Final Spin-Off Balance Sheets provided for in Annex 3 to the Spin-Off Terms. The assets, rights and obligations transferred to the New Company may also be adjusted by supplementary documents drawn-up by the Companies to be Active after the Spin-Off (Adjustment Acts, etc.).
- 7.6.12. From the moment of signing of the Transfer-Acceptance Act, the respective rights and obligations existing within the composition of the Spin-Off Part, as well as the rights and obligations under transactions and concluded transactions shall pass over to the New Company and become the rights and obligations and the concluded transactions of the New Company so as if they were such from the very beginning, unless the imperative rules of the legal acts provide otherwise.
- 7.6.13. From the moment of signing of the Transfer-Acceptance Act, all the transactions attributed to the Spin-Off Part shall be included into the accounting of the New Company, unless the imperative legal rules or the Spin-Off Terms provide otherwise. Transactions concluded by the New Company itself shall be included into the accounting of the New Company from the registration of the New Company in the Register of Legal Entities in compliance with the legal acts.
- 7.6.14. The rights and obligations arising from the moment of signing of the Transfer-Acceptance Act, which result from or in relation to the Spin-Off Part, shall be attributed to the New Company.
- 7.7. Assets, rights and obligations not subject to transfer to the New Company.
- 7.7.1. The current and non-current assets, rights, obligations and transactions remaining with and attributable to the Company relating to the Remaining Part shall be established as at 30 June 2010 on the basis of the principles of drawing up of the Spin-Off Balance Sheets as at 30 June 2010 stipulated in Annex 1 to the Spin-Off Terms and the Spin-Off Balance Sheets as at 30 June 2010 attached in Annex 2 to the Spin-Off Terms drawn up basing on the interim financial statements of the Company as at 30 June 2010 and the principles of drawing up of the Spin-Off Balance Sheets as at 30 June 2010 attached in Annex 1 to the Spin-Off Terms.
- 7.7.2. Upon separation from the Company of the Spin-Off Part under the Spin-Off Terms and transferring of such part to the New Company, the assets, rights, obligations and transactions not attributed to the Spin-Off Part, i.e. the Remaining Part (which shall be specified simultaneously specifying the Spin-Off Part to be transferred to the New Company), which shall not pass to the New Company (therefore, the New Company shall not be subject to any rights and obligations in relation thereto), shall remain to the Company which continues its activity after the Spin-Off, in compliance with the principles of drawing up of the Final Spin-Off Balance Sheets stipulated in Annex 3 to the Spin-Off Terms, unless the Spin-Off Terms or the Decision on the Company Spin-Off provide for otherwise (if it does not contradict the legal acts of the Republic of Lithuania).
- 7.8. The Spin-Off of AB Lietuvos energija shall be deemed completed upon registration of AB Lietuvos energija, which shall continue its activity after the Spin-Off, the articles of association amended due to the Spin-Off in the Register of Legal Entities and upon registration of the new company established after the Spin-Off - LITGRID turtas AB.
- 7.9. The planned date of starting the New Company's activity after taking over from the Company the assets, rights and obligations relating to the Spin-Off Part transferred to the New Company shall be 1 December 2010, however, not later than by 1 February 2011.

**8. INFORMATION ABOUT PREPARATION OF THE SPIN-OFF TERMS VALUATION REPORT**

- 8.1. Pursuant to the provisions of Article 63 of the Company Law, the Spin-Off Terms shall be evaluated and the evaluation report shall be prepared by UAB MOORE STEPHENS VILNIUS (code 123903963, address Trakų g. 3/2, Vilnius, Lithuania, audit company certificate number 001226). The Spin-Off Terms Valuation Report shall be completed and presented not later than on the first day of publication on the prepared Spin-Off Terms of AB Lietuvos energija.