

/Stamp:/ THE SUPERVISION SERVICE
OF THE BANK OF LITHUANIA
APPROVED
on 27 May 2014
by the decision No 241-94

**LIETUVOS ENERGIJA, UAB
CIRCULAR OF THE TAKEOVER BID
REGARDING THE SHARES OF AB LIETUVOS DUJOS**

23 May 2014

1. TERMS AND CONDITIONS OF THE TAKEOVER BID

A shareholder of AB Lietuvos Dujos (hereinafter – **the Company**), Lietuvos Energija, UAB, legal entity code: 301844044, registered office: Žvejų g. 14, Vilnius (hereinafter – **the Offeror**), on 21 May 2014 acquired more than 1/3 of the Company's shares and, together with the Company's shares acquired earlier, holds by ownership right 164 572 778 (one hundred sixty four million five hundred seventy two thousand seven hundred seventy eight) ordinary registered uncertificated shares of the Company with a par value of LTL 1 (one litas) each, which amounts to 56.62 % of all shares of the Company and the votes carried by them at the General Meeting of Shareholders of the Company.

Until 21 May 2014, the Offeror held by ownership right 51 454 638 (fifty one million four hundred fifty four thousand six hundred thirty eight) ordinary registered uncertificated shares of the Company with a par value LTL 1 (one litas) each, which carried 17.7 % votes at the General Meeting of Shareholders of the Company.

Following Article 31 of the Law on Securities of the Republic of Lithuania, the Offeror hereby submits and seeks to implement the takeover bid to buy the remaining ordinary registered uncertificated shares of the Company with a par value LTL 1 (one litas) each. On the day of signing of the circular, the number of the remaining shares is 126 112 962 (one hundred twenty six million one hundred twelve thousand nine hundred sixty two) shares.

The price of the takeover bid – EUR 0.653 (equivalent to LTL 2.255 Lt) for 1 (one) ordinary registered share of the Company.

Payment for the purchased shares of the Company is made in cash.

2. Title, legal form, legal entity code, registered office address, phone and fax numbers, e-mail and website address of the Offeree Company

Title: AB Lietuvos Dujos
Legal form: public company
Legal entity code: 120059523
Registered office: Aguonų g. 24, Vilnius
Tel.: (8 5) 236 0210; Fax: (8 5) 236 0200
E-mail: ld@lietuvosdujos.lt; website: www.dujos.lt

3. Requisite details of the Offeror

3.1. first name, last name, residence address, phone and fax numbers of the Offeror (where the Offeror is a natural person):

Not applicable.

3.2. title, legal form, legal entity code, registered office address, phone and fax numbers, e-mail and website address of the Offeror (where the Offeror is a legal entity):

Title: Lietuvos Energija, UAB
 Legal form: private limited liability company
 Legal entity code: 301844044.
 Registered office: Žvejų g. 14, Vilnius
 Tel.: (8 5) 278 2998; Fax: (8 5) 278 2115
 E-mail: biuras@le.lt; website: www.le.lt

3.3. first name, last name, residence address, phone and fax numbers of the representative of the Offeror (where the representative of the Offeror's is a natural person):

Not applicable.

3.4. title, legal form, registered office address, legal entity code, phone and fax numbers of the representative of the Offeror (where the representative of the Offeror is a legal entity):

Not applicable.

4. Consultant of the Offeror (title of legal entity, consultant's first name, last name, registered office address, phone and fax numbers)

Title: Law Firm LAWIN Lideika, Petrauskas, Valiūnas ir partneriai
 Consultant's representative: Ramūnas Petravičius, Attorney at Law
 Address: Jogailos g. 9/1, Vilnius
 Tel.: (8 5) 268 1888; Fax: (8 5) 212 5591
 E-mail: ramunas.petravicius@lawin.lt

5. The term of implementation of the takeover bid (in days)

14 (fourteen) calendar days.

6. The quantity of shares issued by the Offeree Company by type, class, ISIN code, their par value and the quantity of own shares held

On the signing day of this circular the Company has issued 290 685 740 (two hundred ninety million six hundred eighty five thousand seven hundred forty) ordinary registered uncertificated shares with a par value LTL 1 (one litas) each. The ISIN code of the shares is LT0000116220.

The Company does not hold its own shares on the signing day of this circular.

7. Information about the admission of securities issued by the Offeree Company to trading on a regulated market

All ordinary registered shares of the Company (ISIN code: LT0000116220) have been admitted to the Main List of NASDAQ OMX Vilnius.

8. Minimum and maximum number of the Offeree Company's securities intended to be purchased by type, class, ISIN code; if the owners of the Offeree Company's securities do not provide the number of securities intended to be purchased, the takeover bid shall be deemed to have failed (to be reported in case of a voluntary takeover bid)

Not applicable.

9. The number of securities issued by the Offeree Company by type, class and ISIN code, the quantity of votes attached to such securities (%), which

- 9.1. were (are) held by the Offeror by right of ownership at the moment of exceeding the threshold of 1/3 votes at the general meeting of shareholders of the Offeree Company and on the day of signing this circular (to be reported in case of a mandatory takeover bid); are held by the Offeror by right of ownership on the day of signing this circular (to be reported in case of a voluntary takeover bid):**

At the time of signing this circular, the Offeror holds by ownership right 164 572 778 (one hundred sixty four million five hundred seventy two thousand seven hundred seventy eight) ordinary registered uncertificated shares of the Company, which carry 56.62 % votes at the General Meeting of Shareholders of the Company.

- 9.2. were (are) held by each of the persons acting in concert by the right of ownership at the moment the threshold of 1/3 votes at the general meeting of shareholders was exceeded and on the day of signing of this circular (to be reported in case of a mandatory takeover bid); are held by each of the persons acting in concert by the right of ownership on the day of signing of this circular (to be reported in case of a voluntary takeover bid):**

Not applicable.

- 9.3. may be acquired by the persons referred to in items 9.1–9.2 hereof, who have the right to acquire securities of the Offeree Company on their own initiative according to an effective agreement:**

Not applicable.

- 9.4. are deposited by third persons to persons referred to in items 9.1–9.2 hereof, who have the right to exercise the voting rights attached to these securities at their own discretion:**

Not applicable.

- 10. Type, class, ISIN code (if any) and number of the securities issued by the Offeror and held by the Offeree Company by the right of ownership, also the number of votes at the general meeting of shareholders of the Offeror held by the Offeree Company**

The Company does not have any securities issued by the Offeror.

The Company does not have any votes at the General Meeting of Shareholders of the Offeror.

- 11. Manner of payment for the Offeree Company's securities being purchased (cash, securities or a combination of cash and securities)**

Payment for the purchased shares of the Company will be made in cash (euro).

- 12. Purchase price (exchange rate in case the settlement is effected in securities or a combination of cash and securities, i.e. the whole number of cash and securities offered in exchange for one purchased security of the Offeree Company) of the Offeree Company's securities (the price of the takeover bid). In case of a voluntary takeover bid, where settlement is effected in securities, the price must also be indicated in cash**

The price of the takeover bid – EUR 0.653 (equivalent to LTL 2.255 Lt) for 1 (one) ordinary registered share of the Company.

- 13. Methods of pricing of the Offeree Company's securities being purchased, substantiation of the price**

The Offeror has acquired the Company's shares, which grants the votes at the General Meeting of Shareholders, in 2 stages:

1. Implementing the Resolution of the Government of the Republic of Lithuania No 120 of 12 February 2014 "On Investing the State's Assets and Increasing the Authorised Capital of Companies", on 21 February 2014 the Ministry of Finance, adopted a decision to increase the authorised capital of the Offeror by additional contributions, by paying for the newly issued shares of the Offeror by a non-pecuniary contribution in kind – the shares held by the State in AB Lietuvos Dujos. In this way, 51 454 638 (fifty one million four hundred fifty four thousand six hundred thirty eight) ordinary registered uncertificated shares with a par value LTL 1 (one litas) each, which carry 17.7 % votes at the General Meeting of Shareholders of the Company, were transferred to the ownership of the Offeror. The value of the contribution was LTL 112 685 657.11 (EUR 32 636 022.1), i.e. LTL 2.189 (EUR 0.634) for one ordinary registered share of the Company.
2. The Offeror exceeded the threshold of 1/3 votes at the General Meeting of Shareholders of the Company on 21 May 2014, when under the Purchase-Sale Contract of Shares of that same day it acquired from E.ON Ruhrgas International GmbH 113 118 140 (one hundred thirteen million one hundred eighteen thousand one hundred forty) ordinary registered shares of the Company, which carry 38.92 % votes at the General Meeting of Shareholders of the Company. The Offeror has paid to E.ON Ruhrgas International GmbH for all the Company's shares acquired from E.ON Ruhrgas International GmbH EUR 63 429 mn (which corresponds to LTL 219 009 mn), i.e. EUR 0.561 (which corresponds to LTL 1.937) for one ordinary registered share of the Company.

Following Part 1 of Article 34 of the Law on Securities of the Republic of Lithuania, the price of a mandatory takeover bid shall be fair and not less than the highest price of the securities acquired by the Offeror in the course of 12 months until the exceeding of the threshold of 1/3 of the votes, and shall be not less than the average weighted price on a regulated market and the multilateral trading facility in 6 months prior to the date of exceeding the above-referred threshold of votes, when the securities concerned are traded on the regulated market and the multilateral trading facility.

The average weighted price of the shares issued by the Company during 6 months prior to 21 May 2014 (that day exclusive) is EUR 0.652 (which corresponds to LTL 2.251) for one ordinary registered share of the Company.

Taking into consideration the information given above, it should be concluded that the average weighted market price of one share of the Company on the regulated market and the multilateral trading facility during 6 months prior to the above-referred date when the threshold for votes was exceeded (i.e. until 21 May 2014 (that day exclusive)) (i.e. EUR 0.652 (which corresponds to LTL 2.251) for one ordinary registered share of the Company) is higher than the highest price for the Company's 1 share acquired by the Offeror during 12 months until the threshold of 1/3 of the votes was exceeded (i.e. EUR 0.561 (which corresponds to LTL 1.937) for one ordinary registered share of the Company) and higher than the price of the Company's 1 share, whereby on 21 February 2014 the authorised capital of the Offeror was increased by additional contributions by paying for the newly issued shares of the Offeror by the non-pecuniary contribution in kind – by the State-owned shares of AB Lietuvos Dujos (i.e. EUR 0.634 (which corresponds to LTL 2.189) for one ordinary registered share of the Company).

14. Information about securities offered in exchange

14.1. title, legal form, legal entity code, registered office address, website address of the issuer of these securities:

Not applicable.

14.2. characteristics of these securities (type, class, ISIN code, par value, etc.):

Not applicable.

14.3. the number of securities offered in exchange held by the Offeror:

Not applicable.

14.4. a regulated market operating in a Member State of the European Union where such securities are admitted to trading:

Not applicable.

14.5. places where the prospectus of the offered securities and other information may be accessed:

Not applicable.

15. Information about the sources of financing of the takeover bid (whether the takeover bid will be implemented using own or borrowed funds; how the repayment of borrowed funds is secured: by a guarantee, surety or property pledge/mortgage, indicate the lender, guarantor, surety provider, pledgee/mortgage creditor, etc.)

The takeover bid will be implemented using own funds in the amount of LTL 227.74 mn (EUR 65.958 mn) and borrowed funds LTL 56.6 mn (EUR 16.394 mn). The Offeror's own funds will be used to pay up to 80.09 per cent of the Company's shares purchased and the remaining shares of the Company will be paid out of the borrowed funds. The lender of the borrowed funds is AB DNB bank (legal entity code: 112029270, registered office: J. Basanavičiaus g. 26, 03601 Vilnius). The loan of LTL 45.6 mn (EUR 13.204 mn), which amounts to 80.5 per cent of the total amount of the funds borrowed, is secured by pledging the securities held by the Offeror under the Conditions of Repurchase Services agreed with the bank on 22 May 2014 (Reg. No 2014/AR-JA-5). AB DNB bank also guarantees settlement for the purchased shares of the Company in the amount of LTL 11 mn (EUR 3.19 mn), amounting to 19.5 per cent of all the funds borrowed, if the Offeror fails to provide the remaining amount necessary to pay for the Company's shares offered for purchase until the end of the takeover bid.

16. Compensation offered for all losses of the right holders resulting from the implementation of requirements of parts 1 to 5 of Article 36 of the Law (method employed in determining the compensation, method of its payment)

Not applicable.

17. Circumstances beyond direct control of the Offeror, predetermining the implementation of the takeover bid

Such circumstances are unknown to the Offeror.

18. Plans and intentions of the Offeror with regard to the Offeree Company, if the takeover bid is implemented**18.1. continuity of business areas of the Offeree Company:**

The Offeror does not plan changing the business areas of the Company.

18.2. restructuring (changes of the management structure), transformation, reorganisation or liquidation:

The Company's restructuring, reorganisation or liquidation is not envisaged in the short-term future.

It will be reviewed whether the Company's management structure is in line with the Corporate Management Guidelines for the State Controlled Energy Enterprises as approved by Order No 1K-205 of the Minister of Finance of the Republic of Lithuania on 7 June 2013 (hereinafter – **the Guidelines**) (<http://www.le.lt/assets/Uploads/Apie-bendrove-failai/KORPORATYVINIO-VALDYMO-GAIRES.pdf>) and, in case of any inconsistencies, the Company's management structure will be changed accordingly.

18.3. policy in respect of employees:

The Company's policy in respect of its employees will be reviewed in order to approximate it with the policy applicable in the Offeror's Group of companies, including with respect to the issues related to the system and principles of remuneration and incentives for employees.

18.4. policy in respect of managers:

The Company's policy in respect of its managers will be reviewed in order to approximate it with the policy applicable in the Offeror's Group of companies, including with respect to the issues related to the system and principles of remuneration and incentives for managers.

18.5. policy of raising capital:

The Offerer will follow the 2014–2020 Business Strategy of the Group of companies of Lietuvos Energija, UAB, which states that the equity structure (debt and equity ratio) sought by the Group of companies of Lietuvos Energija, UAB in 2020 is < 1.1.

18.6. dividend policy:

The dividend policy will be implemented in accordance with the requirements set out in Resolution No 20 of the Government of the Republic of Lithuania of 14 January 1997 "Regarding Dividends for the Company's Shares Owned by the State by Ownership Right and Contributions from the Profit of State Enterprises" applicable for dividends for the company's shares owned by the State by ownership right.

18.7. envisaged amendments to the Bylaws of the Offeree Company:

The Bylaws of the Company will be amended in order to ensure the compliance of the Bylaws with the requirements of the Law on Enterprises and Facilities of Strategic Importance to National Security and Other Enterprises of Importance to Ensuring National Security of the Republic of Lithuania and with the Guidelines.

18.8. special bonuses, incentive schemes, etc. envisaged for the managers of the Offeree Company:

The incentive schemes for the Company's managers will be reviewed in order to approximate them with the scheme in place in the Offeror's Group of companies.

19. A written agreement specifying rights and mutual obligations of persons acting in concert, liability for the default on their obligations in implementing the Rules For Drawing up and Approval of the Takeover Bid Circular and on the Implementation of the Takeover Bid

Not applicable.

20. Written arrangements with other persons with regard to voting at the general meeting of shareholders of the Offeree Company

Not applicable.

21. The law that will govern the agreements concluded between the Offeror and holders of securities of the Offeree Company in relation to the takeover bid and competent courts

The agreements between the Offeror and the owners of the shares of the Company in relation to the takeover bid will be regulated by the law of the Republic of Lithuania, and the competent courts will be courts of the Republic of Lithuania.

22. The Offeror's details

22.1. whether the Offeror (natural person) has been punished by administrative sanctions for the violations of legal acts regulating the securities market during the last 5 years:

Not applicable.

22.2. whether the Offeror (natural person) has a criminal record which has not yet expired for crimes against property, economic and financial crimes:

Not applicable.

23. Information about pending legal or arbitration proceedings which have, or are likely to have, substantial impact on business and financial position of the Offeror

There are no pending legal or arbitration proceedings which have, or are likely to have, substantial impact on business and financial position of the Offeror.

24. Sources where the Offeror is planning to publish information about the takeover bid and its implementation

The Offeror intends to publish information about the takeover bid and its implementation in the sources indicated in the Bylaws of the Company: in the Central Regulated Information Base and on the Company's website, as well as via the information system of NASDAQ OMX Vilnius.

25. Other particulars at the Offeror's discretion

On 19 May 2014, the Offeror received an authorisation from the Competition Council of the Republic of Lithuania to implement concentration by allowing the Offeror to acquire up to 100 per cent of the Company's shares and acquire the unilateral control over the Company.

26. Confirmation by the persons who have drawn up the takeover bid circular and who are in charge of the information provided therein that the information contained in the circular is correct and that no essential information, which might affect the opinion of the owners of securities about the takeover bid, has been omitted

The Head of the Offeror confirms by signing the circular that the information contained in this circular is correct and that no essential information, which might affect the opinion of the owners of securities about the takeover bid, has been omitted.

Chief Executive Officer of Lietuvos Energija, UAB

/signature/

Dalius Misiūnas

Finance and Treasury Director of Lietuvos Energija, UAB

/signature/

Darius Kašauskas