

**PUBLIC COMPANY
RYTŲ SKIRSTOMIEJI TINKLAI**

REPORT ON INTENDED REORGANISATION

Prepared by the BOARD

VILNIUS
2010

CONTENT

1.	DEFINITIONS.....	3
2.	LEGAL BASIS FOR REORGANIZATION.....	4
3.	INFORMATION ABOUT THE REORGANIZED COMPANIES AND THE NEW COMPANY RESULTING FROM REORGANIZATION.....	5
4.	MODE OF REORGANIZATION. THE COMPANIES CEASING THEIR EXISTENCE AFTER REORGANIZATION AND A NEW COMPANY TO BE ACTIVE AFTER REORGANIZATION	6
5.	GOAL OF REORGANIZATION	6
6.	REORGANIZATION TERMS. LEGAL AND ECONOMIC GROUNDS OF REORGANIZATION	6
7.	CONTINUITY OF ACTIVITIES, REORGANIZATION TERMS AND CONDITIONS	11
8.	INFORMATION ABOUT DRAFTING OF THE REPORT ON ASSESSMENT OF REORGANIZATION TERMS	14

1. DEFINITIONS

Capitalized words in this report on intended reorganization of the public company Rytų skirstomieji tinklai, prepared by the board of the public company Rytų skirstomieji tinklai, shall have the following meanings, except for cases where they have a different meaning in a particular context:

“Companies” shall collectively refer to RST and VST being reorganized, whereas **the “Company”** shall refer to any of the mentioned companies.

“LESTO” shall be a new company, i.e. AB LESTO, established by merging the Companies during the reorganizational process of the Companies, to which all assets, rights and obligations of the merged Companies are transferred.

“Reorganization” shall refer to reorganization of the Companies performed in compliance with the Civil Code of the Republic of Lithuania, the Law on Companies of the Republic of Lithuania and other respective normative legal acts of the Republic of Lithuania, by merging two public companies, i.e. RST and VST, that shall terminate their individual activity after the Reorganization has been completed and cease to exist as legal entities, into a new legal entity, i.e. LESTO.

“Reorganization Terms” shall be this document prepared and approved by managing bodies of the Companies, including all annexes, supplements, amendments to the Reorganization Terms and other documents which are attached to the Reorganization Terms and (or) considered as their integral part.

LESTO

“Reorganized Companies” shall be the companies that terminate their activities after Reorganization and cease to exist as legal entities, i.e. RST and VST.

“RST” is a public company RST incorporated and operating in compliance with legislation of the Republic of Lithuania, registered with the Register of Legal Entities of the Republic of Lithuania under the legal entity code 110870890, registered office at P. Lukšio St. 5B, Vilnius.

“VST” is a public company VST incorporated and operating in compliance with legislation of the Republic of Lithuania, registered with the Register of Legal Entities of the Republic of Lithuania under the legal entity code 110870748, registered office at J. Jasinskio St. 16C, Vilnius.

2. LEGAL BASIS FOR REORGANIZATION

Based on the Reorganization Terms drafted and approved by decisions of the boards of RST and VST adopted in the board meetings of RST and VST held on 6 September 2010, RST and VST participating in Reorganization shall be merged and on the basis of the assets, rights and obligations of these Companies a new legal entity of the same legal form shall be formed.

The report of RST board on intended Reorganization is drafted in accordance with Part 3 of Article 2.99 of the Civil Code of the Republic of Lithuania and Article 64 of the Law on Companies.

This report of RST board on intended Reorganization was approved by the decision of RST board adopted in the board meeting of RST held on 6 September 2010.

A handwritten signature in dark ink, appearing to read 'Arvydas Darulis', is written over a horizontal line.

Arvydas Darulis
Chairman of RST board

3. INFORMATION ABOUT THE REORGANIZED COMPANIES AND THE NEW COMPANY RESULTING FROM REORGANIZATION

3.1. The reorganized Companies:

3.1.1. RST

- Name of a legal entity: public company Rytų skirstomieji tinklai;
- Legal form of a legal entity: public company;
- Address of registered office of a legal entity: P. Lukšio St. 5B, Vilnius, Republic of Lithuania;
- Code of a legal entity: 110870890;
- Register where information about a legal entity is collected and kept: the Register of Legal Entities of the Republic of Lithuania;
- VAT payer's code: LT108708917;
- Authorized capital: LTL 492,404,653 divided into 492,404,653 ordinary registered shares with the nominal value of LTL 1 each, the share issue (ISIN) number of which is LT0000126385;
- Paid up capital: LTL 492,404,653;
- All the regulated information of RST, including the historical financial information for the year 2007, 2008, 2009 and the interim financial information, is available for acquaintance in the website of RST www.rst.lt, as well as in the website of AB NASDAQ OMX Vilnius Stock Exchange www.nasdaqomxbaltic.com and in the Central Regulated Data Base www.crib.lt;

3.1.2. VST

- Name of a legal entity: public company VST;
- Legal form of a legal entity: public company;
- Address of registered office of a legal entity: J. Jasinskio St. 16C, Vilnius, Republic of Lithuania;
- Code of a legal entity: 110870748;
- Register where information about a legal entity is collected and kept: the Register of Legal Entities of the Republic of Lithuania;
- VAT payer's code: LT108707412;
- Authorized capital: LTL 111,539,940 divided into 3,717,998 ordinary registered shares with the nominal value of LTL 30 each, the share issue (ISIN) number of which is LT0000126377;
- Paid up capital: LTL 111,539,940;
- All the regulated information of VST, including the historical financial information for the year 2007, 2008, 2009 and the interim financial information, is available for acquaintance in the website of VST www.vst.lt, as well as in the website of AB NASDAQ OMX Vilnius Stock Exchange www.nasdaqomxbaltic.com and in the Central Regulated Data Base www.crib.lt.

3.2. A new legal entity LESTO shall be formed after Reorganization has been completed:

- Name of a legal entity: AB LESTO;
- Legal form of a legal entity: public company;

- Address of registered office of a legal entity: Žvejų St. 14, Vilnius, Republic of Lithuania;
- Code of a legal entity: to be given by the Register of Legal Entities, following the procedures laid down by legal acts of the Republic of Lithuania, after LESTO has been registered with the Register of Legal Entities;
- Register where information about a legal entity is collected and kept: the Register of Legal Entities of the Republic of Lithuania, registrar – state enterprise Centre of Registers, Vilnius branch;
- The share issue (ISIN) code will be granted upon registration of the issue of LESTO shares with the Central Securities Depository of Lithuania;
- Authorized capital: LTL 603,944,593.

4. MODE OF REORGANIZATION. THE COMPANIES CEASING THEIR EXISTENCE AFTER REORGANIZATION AND A NEW COMPANY TO BE ACTIVE AFTER REORGANIZATION

- 4.1. On the basis of the Reorganization Terms, the Companies are reorganized by way of merger, as laid down in paragraph 4 of Article 2.97 of the Civil Code of the Republic of Lithuania, merging the Reorganized Companies which will cease their existence as legal entities after Reorganization into LESTO that will begin its operation after Reorganization and will be the successor to all assets, rights and obligations of the Reorganized Companies, i.e. the new legal entity LESTO will result from the Companies ceasing their existence and will continue the activities. The Reorganization may be appealed under procedure established by legal requirements of the Republic of Lithuania and may be declared null and void on the grounds provided in legal requirements of the Republic of Lithuania.
- 4.2. The Companies ceasing their existence after Reorganization: RST and VST.
- 4.3. The new company which will be incorporated and will commence its activities after reorganization: LESTO.

5. GOAL OF REORGANIZATION

- 5.1. The reorganization is aimed at optimization of activities of distribution networks making them more effective. In 2009, LEO LT, AB (at present – the company in liquidation and formerly – major shareholder of the Companies) along with consultants conducted due diligence in respect of merger of the Companies. The due diligence has proved that the merger of the Companies could facilitate in attaining the abovementioned goals.

6. REORGANIZATION TERMS. LEGAL AND ECONOMIC GROUNDS OF REORGANIZATION

- 6.1. Legal grounds of Reorganization. The Reorganization Terms have been drafted by the boards of the Companies upon instruction of the Companies' General Meetings of Shareholders held on 4 October 2010 (Reorganization Terms were considered and approved by the decision of RST's board meeting held on 6 September 2010 and by the decision of VST's board meeting held on 6 September 2010). The Reorganization Terms were developed in accordance with the provisions of the Civil Code of the

Republic of Lithuania, the Law on Companies and other legal acts of the Republic of Lithuania.

6.2. Economic grounds of Reorganization. As already mentioned in Section 5.1 of this Report, the reorganization is aimed at optimization of activities of distribution networks making them more effective. It was estimated that total savings of funds after Reorganization and refusal of some assets or functions that are not related to the main activities of RST and VST (as indicated in Section 7.12) could reach more than LTL 25,000,000 per year. During the due diligence the following main spheres of activities, in which the possibility to optimize the activities and advantages of scales of economy are foreseen, were identified:

- 6.2.1. finance management (treasury, bookkeeping) – reduction of the financial and investment costs and increase of income, as well as decrease in the demand for employees who perform finance management functions would be enabled;
- 6.2.2. management of information technologies – due to the common IT economy, there will be no need to acquire two overlapping systems, and as a result the costs of support of these systems and the need for employees performing the function of management of information technologies would decrease;
- 6.2.3. purchases and logistics – due to larger volumes of supply the suppliers could offer more favourable purchase conditions and, applying a uniform practice of stock management, the level of stock and the costs of low-value stock could be reduced as well as the number of specialists working in this sphere;
- 6.2.4. administration of activities – the opportunity would arise to reduce the number of CEOs, managing employees and administrative staff;
- 6.2.5. maintenance of non-technological general-purpose assets (buildings, infrastructure) – the less number of employees in the merged company would enable the cutting of some jobs and using the existing premises more effectively which would lead to the saving of their maintenance costs;
- 6.2.6. supply of energy and balancing – due to technological peculiarities and uneven distribution of load in the network the balancing energy costs could be reduced, and the establishment of common client service centre would enable refusing some employees who perform the supply function;
- 6.2.7. distribution network dispatcher management – optimization of the management of central and regional dispatcher offices and accordingly the reduction of the number of employees would be enabled;
- 6.2.8. transport – savings would be realised due to less investments into transport (through wear and tear and depreciation), less costs of fuel, repair, wages of transport staff, and other related administrative costs.

6.3. Authorised capital and establishment of share exchange rate.

- 6.3.1. As of the day of these Reorganization Terms the authorized capital of RST is LTL 492,404,653 and is divided into 492,404,653 ordinary registered shares of LTL 1 nominal value each.
- 6.3.2. As of the day of these Reorganization Terms the authorized capital of VST is LTL 111,539,940 and is divided into 3,717,998 ordinary registered shares of LTL 30 nominal value each.
- 6.3.3. The authorized capital of LESTO to be active after Reorganization will be equal to LTL 603,944,593, i.e. the authorized capitals of RST and VST will be aggregated. The authorized capital of LESTO will be divided into LTL 603,944,593 ordinary registered shares of LTL 1 nominal value each. The shareholders' ownership in this capital shall be established on the basis of the share exchange rate, as defined in Sections 6.4.2 and 6.4.3 of the Reorganization Terms.
- 6.3.4. The calculation of the rate of conversion of RST and VST shares into LESTO shares was based on the values of the Companies' shares. The boards of the Companies sought to establish true values of both Companies' shares and while assessing the Companies took into account the recent financial state of the Companies as well as the valuation of the Companies on the market because both Companies are public interest companies whose shares are traded on AB NASDAQ OMX Vilnius Stock Exchange. For the purposes of establishing the rate of conversion of RST and VST shares into LESTO shares two methods were employed: (i) book value of net asset as of 30 June 2010, and (ii) average weighted price of the Companies' shares over the last 6 months on the market (the value of shares calculated as of 13 August 2010) where RST and VST securities are traded.
- 6.3.5. The method of net asset book value was chosen for the following reasons: this method is based on the latest audited interim financial statements prepared in accordance with International Financial Reporting Standards as of 30 June 2010; in such statements the long-term assets of both RST and VST are accounted in reassessed values which are determined on regular basis (at least once every five years) by independent valuers of property or the managers of the Companies. Since the recent amendments to legislation in electric power sector might have significantly affected in adverse manner the fair value and recoverable amount of tangible assets in the Companies, therefore the boards of the Companies, seeking to establish true values of both Companies' shares, also decided to employ additionally the other method defined in Section 6.3.6.
- 6.3.6. The calculation of the average weighted market price of the Companies' shares over the last 6 months (the value of shares calculated as of 13 August 2010 was chosen for the following reasons: this method reflects the value of RST and VST shares on the market, reflects the expectations of investors and the information held about the Companies, including their regulatory environment, as it comprises the recent data of AB NASDAQ OMX Vilnius

Stock Exchange. In the opinion of the boards of the Companies, the sole method of net asset book value did not suffice for establishing the true value of all shares in RST and VST and therefore the method of average weighted value was chosen as well. As a result of fluctuations of the market price of the Companies' shares (on AB NASDAQ OMX Vilnius Stock Exchange), also due to the changes in the electric power sector and the resulting instability and constant change of various data and information, as well as other factors which are likely to affect in the wrong way the market price of the Companies' shares at a certain moment, the boards of the Companies decided to use not the capitalization of VST and RST market on a certain particular day but the average weighted market price of the Companies' shares over the last 6 months.

6.3.7. In view of the Companies' book value of net asset as of 30 June 2010, reviewed by auditors which performed the review of interim financial statements dated 30 June 2010, the total value of RST and VST shares is LTL 2,190,598 thousand and LTL 1,486,574 thousand respectively. Subject to the Companies' capitalization on the market over the last 6 months and the average weighted market price of the Companies' shares (calculating as of 13 August 2010), the total value of RST and VST shares is LTL 1,053,764 thousand and LTL 861,720 thousand respectively.

6.3.8. The use of the abovementioned two methods has resulted in considerable differences of values of the Companies' shares. Therefore, for the purposes of establishing the final rate of conversion of RST and VST shares into LESTO shares the arithmetic mean of the results given in Section 6.3.7 was used. Thus the obtained total value of all RST and VST shares is LTL 1,622,172 thousand and LTL 1,174,147 thousand respectively, and the proportion of all RST and VST shares is 58.01:41.99.

6.3.9. According to assessment of the Companies' boards, RST and VST are very similar and comparable in terms of specifics of their activities (similar geographic territory, similar length of power networks and number of consumers, similar annual quantity of power sold and annual level of income; however different values of the Companies' shares are mainly caused by the following reasons:

6.3.9.1. According to the data indicated in the interim financial statements of the Companies the amount of VST's financial debts as of 30 June 2010 comprised LTL 454,000,000 and exceeded by LTL 302,000,000 the amount of RST's financial debts. VST's financial debts mainly accrued during the governance of the previous owners due to specific reorganizations of VST, which process could not be affected by the current shareholder UAB Visagino atominė elektrinė (*Visaginas Nuclear Power Plant*) in any manner. Should the financial debts of VST be of the same level as RST's financial debts as of 30 June 2010, then the total value of VST shares could be respectively higher and more comparable to the total value of RST shares;

- 6.3.9.2. The higher level of VST's debt causes a higher risk of VST's insolvency. This can be reflected indirectly in the market price of shares and result in the lower value of VST shares;
- 6.3.9.3. the book value of VST's tangible assets is lower than the book value of RST's tangible assets. In the opinion of the Companies' boards, such difference of values is the result of lower level of investments into VST and, accordingly, of conditionally lower quality of tangible assets. This fact also entails a lower value of VST shares;
- 6.3.9.4. although the book value of VST assets is lower, the operating costs of VST are also lower.

6.4. Rules of distribution of shares among shareholders.

- 6.4.1. Solely the persons who are shareholders of RST and VST on the day when the Registrar of Legal Entities registers a newly incorporated company, i.e. LESTO, shall have the right to obtain LESTO shares.
- 6.4.2. In view of the rate of conversion of RST and VST shares, which is 58.01:41.99, RST shares will be converted into the shares of LESTO, the company to be active after Reorganization, at the following rate: 1 RST share will equal to 0,71 LESTO share, rounding as follows:
 - 6.4.2.1. If a fractional part of the total number of shares per shareholder equals to or is more than 0.5, the number of LESTO shares issued to a shareholder of RST after Reorganization will be rounded up to the whole number;
 - 6.4.2.2. If a fractional part of the total number of shares per shareholder is less than 0.5, the number of LESTO shares issued to a shareholder of RST after Reorganization will be rounded down to the whole number (in such a case, any difference occurring between the whole number and its fractional part will not be compensated in money).
- 6.4.3. In view of the rate of conversion of RST and VST shares, which is 58.01:41.99, VST shares will be converted into the shares of LESTO, the company to be active after Reorganization, at the following rate: 1 VST share will equal to 68,21 LESTO shares, rounding as follows:
 - 6.4.3.1. If a fractional part of the total number of shares per shareholder equals to or is more than 0.5, the number of LESTO shares issued to a shareholder of VST after Reorganization will be rounded up to the whole number;
 - 6.4.3.2. If a fractional part of the total number of shares per shareholder is less than 0.5, the number of LESTO shares issued to a shareholder of VST after Reorganization will be rounded down to the whole number (in such a case, any difference occurring between the whole number and its fractional part will not be compensated in money).

- 6.4.4. In case the number of shares calculated to shareholders in accordance with Sections 6.4.2 and 6.4.3 exceeds the authorized capital of LESTO, the company to be active after Reorganization, the number of shares calculated to a shareholder who will get the biggest number of shares in accordance with Sections 6.4.2 and 6.4.3 will be decreased by the number equal to the difference between the number of shares calculated to shareholders in accordance with Sections 6.4.2 and 6.4.3 and the authorized capital of LESTO, the company to be active after Reorganization.
- 6.4.5. In case the number of shares calculated to shareholders in accordance with Sections 6.4.2 and 6.4.3 is lower than the authorized capital of LESTO, the company to be active after Reorganization, the number of shares calculated to the shareholder who will get the biggest number of shares in accordance with Sections 6.4.2 and 6.4.3 will be increased by the number equal to the difference between the number of shares calculated to shareholders in accordance with Sections 6.4.2 and 6.4.3 and the authorized capital of LESTO, the company to be active after Reorganization.
- 6.4.6. At least 5 working days after the General Meetings of Shareholders of RST and VST at which the approval of the Reorganization Terms was considered the trading of RST and VST shares will not be terminated in order RST and VST shareholders could sell the shares held in RST and VST to other persons at own discretion.
- 6.4.7. Upon lapse of the term defined in Section 6.4.6, however before submission of LESTO's incorporation documents to the Registrar of Legal Entities for registration of the newly incorporated LESTO, the trading of RST and VST shares will be terminated in the official list and additional trading list of AB NASDAQ OMX Vilnius Stock Exchange and these shares will be deleted from the mentioned trading lists.
- 6.4.8. After Reorganization application will be filed with AB NASDAQ OMX Vilnius for inclusion of LESTO shares into trading on AB NASDAQ OMX Vilnius Stock Exchange.

7. CONTINUITY OF ACTIVITIES, REORGANIZATION TERMS AND CONDITIONS

- 7.1. The main activities of RST and VST are distribution of electricity and public supply of electricity. When performing these activities, the Companies shall:
- 7.1.1. be responsible for the Companies' distribution networks from the point of connection of transmission network equipment to the point of connection of consumer or generator equipment, and safety, reliability, operation, maintenance, management and development thereof pursuant to the needs of distribution network users, as well as for transmission of electricity via distribution networks to the consumers in the territories indicated in the licences of activities issued to the Companies, for the quality of the electricity

transmitted, the accounting of electricity transmitted and implementation thereof;

- 7.1.2. be obliged to supply electricity under procedure defined by legal acts to the consumers in the territories indicated in the licences of activities issued to the Companies, and to ensure the supply of electricity to the consumers in cases where their existing independent supplier does not perform its obligation to supply electricity and they cannot choose another independent supplier; and
 - 7.1.3. perform other functions related to distribution of electricity and public supply of electricity.
- 7.2. The terms of activities in electricity sector shall be governed by the EU legislation (Directive 2003/54/EC of the European Parliament and of the Council of 26 June 2003 concerning common rules for the internal market in electricity and repealing Directive 96/92/EC, Directive 2009/72/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in electricity and repealing Directive 2003/54/EC, etc.), and national legislation (the Law on Energy of the Republic of Lithuania, the Law on Electricity of the Republic of Lithuania, resolutions of the Government of the Republic of Lithuania, the orders of the Minister of Energy of the Republic of Lithuania, and decisions of the State Prices and Energy Control Commission, etc.).
- 7.3. LESTO, the company to be active after Reorganization, will continue the activities of the Reorganized Companies as defined in Section 7.1 of this Report and will ensure the compliance of the performed activities with the requirements of valid legal acts, including but not limited to the requirement to provide to the users of distribution networks the services of transmission of electricity via distribution networks, to operate technically, maintain, manage and develop the distribution networks and connecting lines with other power networks, to ensure reliable functioning of distribution network equipment, effective and safe supply of electricity, meet environmental requirements, ensure independence of activities of the operator of distribution networks, secure the protection of consumer interests, etc.
- 7.4. The prices of services provided by the Companies shall be regulated through price caps imposed by the State Prices and Energy Control Commission.
- 7.5. LESTO, the company to be active after Reorganization, will take over all long-term and current assets of RST and VST, as well as long-term and current financial and other liabilities, amounts receivable and amounts payable under agreements concluded by RST and VST, or obligations arising on any other grounds. LESTO will also take over all other assets, rights and obligations of RST and VST under transactions and obligations arising on any other grounds (including the rights and obligations under collective agreements and employment contracts concluded, funds of RST and VST in bank accounts, agreements with new and existing electricity consumers, electricity generators, independent suppliers and providers of goods, services and/or works), as well as rights and obligations arising from other documents concluded by RST and VST (technical conditions, design conditions, etc.), except for the rights and obligations of RST and VST which pursuant to imperative provisions of law of the

Republic of Lithuania are prohibited or may not be assigned to other person during reorganization. LESTO will also take over all the rights to the licences, permits and certificates used by RST and VST, if legal acts provide for the possibility of such assignment of rights (hereinafter the abovementioned assets, rights and obligations that are taken over by LESTO are referred to as the **“Transferred assets, rights and obligations”**).

- 7.6. LESTO will take over all the Transferred assets, rights and obligations (especially, with regard to consumers) and all the transactions of RST and VST will be included in the accounting of LESTO on a certain day until the moment when the licences granting LESTO the right to carry out electricity distribution and electricity public supply activities (the **“Licences”**) are issued and become effective (the **“Date of Transfer”**)LESTO. Accordingly, as of this moment the Transferred assets, rights and obligations will be considered as those of LESTO, including the rights and obligations under concluded employment contracts. In addition, as of the moment of registration of LESTO, on the basis of Reorganization Terms LESTO shall be granted the right to use all the assets and enjoy all the rights and other resources of RST and VST (including human resources) free of charge to the extent that it is necessary for acquisition of the Licences and any other authorizations, certificates, licences as required for the activities of LESTO, their coming into effect, and fulfilment of the related obligations and compliance with the related requirements laid down in legal acts and in Section 7.1 of this Report; as well as for uninterrupted and high-quality provision of electricity supply services and other services to consumers.
- 7.7. Seeking to ensure the continuity and stability of RST and VST activities, transactions with third parties and other legally significant actions in relation to the activities of RST and VST until the Date of Transfer will be concluded and performed on behalf of RST and/or VST unless a specific situation requires otherwise, and later will be transferred to LESTO along with the Transferred assets, rights and obligations.
- 7.8. After the Date of Transfer, on the basis of the Reorganization Terms, RST and VST shall be granted the right to use all the assets and enjoy the rights and other resources of LESTO (including human resources) free of charge to the extent that it is necessary for fulfilment of the obligations and compliance with the requirements laid down in legal acts in connection with the Licenses; as well as for uninterrupted and high-quality provision of services to consumers.
- 7.9. LESTO, after its registration with the Register of Legal Entities, will apply immediately for issue of the Licences under procedure established by legal acts. When the date of entry of Licences into effect becomes known, as at the Date of Transfer (i.e. on a certain day until the date of entry of Licenses into effect) separate deeds of transfer and acceptance of RST and VST assets, rights and obligations (including the rights and obligations under concluded employment contracts) will be signed between LESTO and RST, and LESTO and VST. The mentioned deeds of transfer and acceptance as well as Reorganization Terms shall be a legal basis for LESTO, entered into the Register of Legal Entities, to take over the Transferred assets, rights and obligations, and register the Transferred assets, rights and obligations with the Real Estate Register or any other institutions or organisations in case LESTO’s title to the Transferred assets, rights and obligations should be recorded in particular registers or other documents.

- 7.10. While LESTO seeks to obtain the Licences and any other authorisations, certificates, licences and other permits required for the activities and to ensure uninterrupted supply of electricity, the situation may occur when certain assets, rights and obligations of RST and/or VST will have to be transferred to LESTO later than any other assets, rights and obligations. In such event, specific deeds of transfer and acceptance of assets, rights and obligations will be executed defining the peculiarities of transfer of specific assets, rights and obligations.
- 7.11. LESTO, the company to be active after Reorganization, shall be granted the right to manage, use and dispose of funds in RST and VST bank accounts and their the bank accounts, or, otherwise, these accounts shall be closed and their funds shall be transferred to the bank accounts of LESTO.
- 7.12. In the course of transformation of companies operating in the electric power sector of the Republic of Lithuania, it is planned to refuse some assets or functions that are not related to the main activities of RST and VST, namely: (i) assets which are not directly technologically related to RST and VST and which will be contributed to the authorised capital of an asset management company or otherwise transferred to the latter, and (ii) activities on development and provision of IT assets and services, which will be transferred (by contributing it into the authorised capital or by transferring in other way) to the respective company operating in IT or telecommunication sectors and which will provide services to group companies. Due to the mentioned refusal of assets and functions, RST and VST may transfer some assets, rights and obligations held during preparation of the Reorganisation Terms. In any case, it is intended to transfer the assets for compensation (by sale, in exchange for shares or otherwise). If the said changes in activities of RST and/or VST are made until adoption of the shareholders' decision to Reorganize RST and VST and approve the Reorganization Terms and these changes are considered as material changes of the assets, rights and obligations of RST and/or VST, the managers of RST and VST will draft and submit the notices stipulated in paragraph 4 of Article 65 of the Law on Companies of the Republic of Lithuania.
- 7.13. The intended commencement of LESTO's activities after takeover from RST and VST of the Transferred assets, rights and obligations: 1 February 2011.

8. INFORMATION ABOUT DRAFTING OF THE REPORT ON ASSESSMENT OF REORGANIZATION TERMS

The Reorganization Terms shall be assessed and the assessment report shall be executed by the audit company UAB Rimess (code 30056169, address A. Goštauto g. 40B, Vilnius, audit company certificate number 001332). The Register of Legal Entities of the Republic of Lithuania approved on 6 August 2010 this audit company as common for both Companies. The Report on assessment of the Reorganization Terms will be completed and submitted not later than on the first day of public announcement about the prepared Reorganization Terms.