

REPORT ON ASSESSMENT OF REORGANIZATION TERMS
OF
PUBLIC COMPANY RYTŲ SKIRSTOMIEJI TINKLAI
AND
PUBLIC COMPANY VST

To:

PUBLIC COMPANY RYTŲ SKIRSTOMIEJI TINKLAI
P. Lukšio str. 5B, Vilnius

PUBLIC COMPANY VST
J. Jasinskio str. 16C, Vilnius

STATE ENTERPRISE CENTER OF REGISTERS
V. Kudirkos str. 18, Vilnius

CONTENT

I. SCOPE AND PROCEDURES OF ASSESSMENT OF REORGANIZATION TERMS	4
II. METHODS USED TO DETERMINE THE SHARE EXCHANGE RATIO	5
III. SHARE EXCHANGE RATIO	6
IV. DESCRIPTION OF THE DIFFICULTIES ENCOUNTERED DURING THE ASSESSMENT	8
V. REPORT ON FAIRNESS AND JUSTIFICATION OF SHARE EXCHANGE RATIO	9

**REPORT ON ASSESSMENT OF REORGANIZATION TERMS OF
PUBLIC COMPANY RYTŲ SKIRSTOMIEJI TINKLAI AND
PUBLIC COMPANY VST**

I. SCOPE AND PROCEDURES OF ASSESSMENT OF REORGANIZATION TERMS

We have conducted an assessment of the accompanying Reorganization Terms of public company Rytų skirstomieji tinklai, code of a legal entity is 110870890, located in P. Lukšio str. 5B, Vilnius and AB VST, code of a legal entity is 110870748, located in J. Jasinskio str. 16C, Vilnius (hereinafter – Reorganization Terms), approved on 6 September 2010 by the Boards of Reorganized Companies, as the 63rd article of the Law on Companies of the Republic of Lithuania requires.

Boards of Reorganized Companies are responsible for the preparation of these Reorganization Terms in accordance with the requirements of the Law on Companies and other legal acts of the Republic of Lithuania.

Our responsibility is to express an opinion on these Reorganization Terms based on our assessment.

We conducted our assessment under ISAE 3000 “Assurance engagements other than audits or reviews of historical financial information” as well as our professional experience.

We conducted the assessment of Reorganization Terms and prepared the report on assessment of Reorganization Terms indicating, *inter alia*, the following:

- 1) report whether the share exchange ratio is fair and justified;
- 2) methods used to determine the share exchange ratio and the conclusions on the appropriateness of these methods for and their impact on the determination of the value of the shares;
- 3) description of the difficulties encountered during the assessment.

While conducting the assessment of Reorganization Terms, we have reviewed the following documents:

- January 4, 2010 minutes of the extraordinary general shareholders' meeting of public company Rytų skirstomieji tinklai regarding approval of preparation of public company Rytų skirstomieji tinklai and public company VST Reorganization Terms;
- January 4, 2010 minutes of the extraordinary general shareholders' meeting of public company VST regarding approval of preparation of public company Rytų skirstomieji tinklai and public company VST Reorganization Terms;
- public company Rytų skirstomieji tinklai and public company VST Reorganization Terms;
- public company Rytų skirstomieji tinklai Board's report on intended reorganization;
- public company VST Board's report on intended reorganization;
- public company's VST condensed interim financial information as of 30 June 2010;
- Audit firm's UAB PricewaterhouseCoopers review report on public company's VST interim financial information;
- public company's VST financial statements for the year 2009, prepared according to International Financial Reporting Standards, as adopted by the European Union;
- Audit firm's UAB PricewaterhouseCoopers auditor's report on public company's VST financial statements for the year 2009, prepared according to International Financial Reporting Standards, as adopted by the European Union;
- public company's VST interim financial information for the I quarter of 2010;

**REPORT ON ASSESSMENT OF REORGANIZATION TERMS OF
PUBLIC COMPANY RYTŲ SKIRSTOMIEJI TINKLAI AND
PUBLIC COMPANY VST**

- public company's Rytų skirstomieji tinklai consolidated and Company's interim financial information for the I semester of 2010;
- Audit firm's UAB PricewaterhouseCoopers review report on public company's Rytų skirstomieji tinklai interim financial information;
- public company's Rytų skirstomieji tinklai consolidated and Company's financial statements for the year 2009, prepared according to International Financial Reporting Standards, as adopted by the European Union;
- Audit firm's UAB PricewaterhouseCoopers auditor's report on public company's Rytų skirstomieji tinklai consolidated and Company's financial statements for the year 2009, prepared according to International Financial Reporting Standards, as adopted by the European Union;
- public company's Rytų skirstomieji tinklai interim financial information for the I quarter of 2010;
- Report No. 10A0-0902-0026 on assessment of long-term tangible assets of public company Rytų skirstomieji tinklai (the date of assessment is 31 December 2008);
- Draft articles of AB LESTO;
- Table of comparison of some performance indices of public company Rytų skirstomieji tinklai and public company VST attached to Reorganization Terms.

When assessing the Reorganization Terms the following procedures were performed:

- We assessed the compliance of Reorganization Terms with the requirements of the 63rd article of the Law on Companies of the Republic of Lithuania;
- We assessed the methods, used to determine the share exchange ratio, in respect to their suitability and influence on determining the value of the shares; the mathematical correctness of the calculations, presented by the management, the application of the chosen valuation methods and the suitability of the assumptions used;
- We have assessed the correctness and validity of the share exchange ratio given in the Reorganization Terms.

Conducting the assessment we considered the following:

- 1) Companies' business specifics and history;
- 2) Companies' historical financial position, earnings and volumes of cash flows;
- 3) Tendencies of prices of Companies' shares in AB NASDAQ OMX Vilnius Stock Exchange.

This report on assessment of Reorganization Terms cannot be used for any other purposes except the reorganization of public company Rytų skirstomieji tinklai and public company VST.

II. METHODS USED TO DETERMINE THE SHARE EXCHANGE RATIO

On the basis of the Reorganization Terms, the Companies are reorganized by way of merger, as laid down in Section 2.97 (4) of the Civil Code of the Republic of Lithuania, merging the Reorganized Companies which will cease their existence as legal entities after Reorganization into a new legal entity AB LESTO that will begin its operation after Reorganization and will be the successor to all assets, rights and obligations of the Reorganized Companies.

**REPORT ON ASSESSMENT OF REORGANIZATION TERMS OF
PUBLIC COMPANY RYTŲ SKIRSTOMIEJI TINKLAI AND
PUBLIC COMPANY VST**

As of the day of these Reorganization Terms the authorized capital of public company Rytų skirstomieji tinklai is LTL 492,404,653 and is divided into 492,404,653 ordinary registered shares of LTL 1 nominal value each.

As of the day of these Reorganization Terms the authorized capital of public company VST is LTL 111,539,940 and is divided into 3,717,998 ordinary registered shares of LTL 30 nominal value each.

The authorized capital of AB LESTO to be active after Reorganization will be equal to LTL 603,944,593, i.e. the authorized capitals of Reorganized Companies will be aggregated. The authorized capital of AB LESTO will be divided into LTL 603,944,593 ordinary registered shares of LTL 1 nominal value each..

The calculation of the rate of conversion of public company's Rytų skirstomieji tinklai and public company's VST shares into AB LESTO shares was based on two methods – the book value of the Companies' net asset as of 30 June 2010 and average weighted market price of the Companies' shares over the last 6 months on the market where public company's Rytų skirstomieji tinklai and public company's VST securities are traded.

The method of book value of the Companies' net asset was chosen for the following reasons: this method is based on the latest financial statements reviewed by the auditors and prepared in accordance with International Financial Reporting Standards as of 30 June 2010; in such statements the long-term assets of both public company Rytų skirstomieji tinklai and public company 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 Reorganized Companies. In view of the fact that recent amendments to legislation in electric power sector might have significantly affected in adverse manner the fair value and recoverable amount of tangible assets of the Companies, in the opinion of the boards of the Reorganized Companies the sole method of book value of net asset did not suffice for establishing the fair value of all public company's Rytų skirstomieji tinklai and public company's VST shares, the other – average weighted market price of the Reorganized Companies' shares – method was also employed.

The calculation of the average weighted market price of the Reorganized 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 public company's Rytų skirstomieji tinklai and public company's 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.

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 market capitalization of public company VST and public company Rytų skirstomieji tinklai on a certain particular day but the average weighted market price of the Reorganized Companies' shares over the last 6 months.

III. SHARE EXCHANGE RATIO

In view of the book values of Reorganized Companies' net asset as of 30 June 2010 reviewed by the auditors, the values of all shares of public company Rytų skirstomieji tinklai and public company VST were LTL 2,190,598 thousand and LTL 1,486,574 thousand respectively.

**REPORT ON ASSESSMENT OF REORGANIZATION TERMS OF
PUBLIC COMPANY RYTŲ SKIRSTOMIEJI TINKLAI AND
PUBLIC COMPANY VST**

In view of average weighted market price of the Reorganized Companies' shares over the last 6 months (calculating as of 13 August 2010), the total value of public company's Rytų skirstomieji tinklai and public company's VST shares is LTL 1,053,746 thousand and LTL 861,720 thousand respectively.

Calculation of value of public company's Rytų skirstomieji tinklai and public company's VST shares using the book values of the Reorganized Companies' net asset reviewed by the auditors as well as using the capitalization on the market over the last 6 months and the average weighted market price of the Reorganized Companies' shares has resulted in considerable differences of values of the Reorganized Companies' shares. Therefore, for the purposes of establishing the final ratio of conversion of public company's Rytų skirstomieji tinklai and public company's VST shares into AB LESTO shares the arithmetic mean of values of shares calculated using the methods mentioned above was used. Thus the obtained total value of all public company's Rytų skirstomieji tinklai and public company's VST shares is LTL 1,622,172 thousand and LTL 1,174,147 thousand respectively, and the proportion of all AB Rytų skirstomieji tinklai and AB VST shares is 58.01:41.99.

The calculation of the ratio of conversion of public company's Rytų skirstomieji tinklai and public company's RST shares into AB LESTO shares is given below:

	public company Rytų skirstomieji tinklai	public company VST
Value of shares calculated using the method of book value of net asset in 30 June, 2010	2,190,598 thousand	1,486,574 thousand
Value of shares calculated using the method of average weighted market price of the Reorganized Companies' shares over the last 6 months	1,053,746 thousand	861,720 thousand
The arithmetic mean of value of shares calculated using the methods mentioned above	1,622,172 thousand	1,174,147 thousand
Ratio of values of shares	58.01 : 41.99	
AB LESTO authorised capital	603,944,593	
Proportional share of AB LESTO authorised capital attributable to the Company	350,348,258	253,596,335
Number of shares	492,404,653	3,717,998
1 share exchange ratio	0.71	68.21

In view of the ratio of values of public company's Rytų skirstomieji tinklai and public company's VST shares, which is 58.01:41.99, public company's Rytų skirstomieji tinklai and public company's VST shares will be converted into the shares of AB LESTO, the company to be active after Reorganization, at the following ratio: 1 share of public company Rytų skirstomieji tinklai will equal to 0.71 AB LESTO share, whereas 1 share of public company VST will equal to 68.21 AB LESTO share, rounding as follows:

**REPORT ON ASSESSMENT OF REORGANIZATION TERMS OF
PUBLIC COMPANY RYTŲ SKIRSTOMIEJI TINKLAI AND
PUBLIC COMPANY VST**

- If a fractional part of the total number of shares per shareholder equals to or is more than 0.5, the number of AB LESTO shares issued to a shareholder of public company Rytų skirstomieji tinklai or public company VST after Reorganization will be rounded up to the whole number;
- If a fractional part of the total number of shares per shareholder is less than 0.5, the number of AB LESTO shares issued to a shareholder of public company Rytų skirstomieji tinklai or public company 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).

IV. DESCRIPTION OF THE DIFFICULTIES ENCOUNTERED DURING THE ASSESSMENT

Assessment of Value of the Companies' Net Asset

Calculating the value of Reorganized Companies' shares using the method of book value of Reorganized Companies' net asset was made an assumption that the net asset of Reorganized Companies equals the equity of the Companies, i.e. the book value of the assets and liabilities given in the Companies' condensed statements of financial position equals their fair value. However, the Reorganized Companies' condensed interim financial information as of 30 June 2010, which was used as basis when preparing the Reorganization Terms attached, was reviewed by the audit firm UAB PricewaterhouseCoopers under International standard on review engagements 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity.

On condensed interim financial information as of 30 June 2010 of public company Rytų skirstomieji tinklai and public company VST which was used as basis for Reorganization Terms attached, in 23 August 2010 the audit firm UAB PricewaterhouseCoopers submitted a qualified auditor's opinions.

Considering the qualifications given in the review reports of UAB PricewaterhouseCoopers in 23 August 2010, we could not reliably evaluate the impact of these discrepancies on both the book value of Reorganized Companies' net assets and value of shares.

Assessment of Average Weighted Market Price of Companies' Shares

Calculation of the value of Reorganized Companies' shares using the method of average weighted market price of Companies' shares was based on share turnovers in AB NASDAQ OMX Vilnius Stock Exchange from 13 February 2010 to 13 August 2010. If the trade of Reorganized Companies' shares had been more active than stated in the annexes No. 6 and No. 7 to the Reorganization Terms, the values of public company's Rytų skirstomieji tinklai and public company's VST shares calculated under this method could have been different.

REPORT ON ASSESSMENT OF REORGANIZATION TERMS OF
PUBLIC COMPANY RYTŲ SKIRSTOMIEJI TINKLAI AND
PUBLIC COMPANY VST

V. REPORT ON FAIRNESS AND JUSTIFICATION OF SHARE EXCHANGE RATIO

In our opinion, except for the possible effects of the matters mentioned in the section No. IV, the methods used to assess the exchange ratio of the shares are in all material respects suitable and the calculated exchange ratio of the shares provided in the Reorganization Terms, is fair and justified.

6 September, 2010
Vilnius

Auditor, member of the Board of UAB „Rimess“
Alma Ziziliauskienė
Auditor's certification No. 000333



UAB „Rimess“
Audit company's certification No. 001332