Translation from Lithuanian

REORGANIZATION TERMS

OF

PUBLIC COMPANY RYTŲ SKIRSTOMIEJI TINKLAI

AND

PUBLIC COMPANY VST

VILNIUS
2010

CONTENTS

1. DEFINITIONS

Capitalized definitions used in these Reorganization Terms 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, except for those prepared and (or) approved in breach of the Reorganization Terms and (or) normative legal acts of the Republic of Lithuania.
LESTO
"Reorganized Companies" shall be the companies that terminate their activity 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, 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, at J. Jasinskio St. 16C, Vilnius.

2. LEGAL BASIS FOR REORGANIZATION

The Companies shall be reorganized and these Reorganization Terms have been prepared in compliance with provisions of 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.

Reorganization Terms have been prepared by the Boards of the Companies, after approvals of General Meetings of Shareholders of RST and VST dated 4th January 2010 have been obtained (Annex No. 1 and Annex No. 2).

Reorganization Terms were considered and approved by the decisions of the Board Meetings of RST and VST, both dated 6 September 2010.

Arvydas Darulis
Chairman of the Board
Public company Rytų skirstomieji tinklai

Arvydas Darulis
Chairman of the Board
Public company VST

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 AND GOAL OF REORGANIZATION, LEGAL AND ECONOMIC GROUNDS. 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 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 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 reorganization is aimed at optimization of activities of distribution networks making them more effective. The goals of reorganization, legal and economic grounds are defined and provided in the reports of the Companies' boards on the intended Reorganization.

4.3. The Companies ceasing their existence after Reorganization: RST and VST.

4.4. The new company which will be incorporated and will commence its activities after reorganization: LESTO.

5. THE NUMBER BY CLASSES AND NOMINAL VALUE OF SHARES IN REORGANIZED COMPANIES AND THE COMPANY TO BE ACTIVE AFTER REORGANIZATION. CONVERSION RATE OF SHARES AND ITS SUBSTANTIATION. RULES OF DISTRIBUTION OF SHARES AMONG SHAREHOLDERS

5.1. 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.

5.2. The rate at which shares of the Reorganized Companies will be converted into the shares issued by LESTO to be active after Reorganization is established on the basis of values of the Companies' shares defined in Sections 5.9 and 5.10 of the Reorganization Terms (the table on the calculation of the shares conversion rate is attached as Annex No 3).

5.3. 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.

5.4. 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.

5.5. 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.

5.6. The calculation of the rate of conversion of RST and VST shares into LESTO shares was based on the values of the Company 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 is calculated as of 13 August 2010) where RST and VST securities are traded.

5.7. 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 (Annex No 4 and Annex No 5); 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 valuators 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 the other method defined in Section 5.8.

5.8. The calculation of the average weighted market price of the Company's shares over the last 6 months (the value of shares recalculated 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 (the calculations of these prices are attached as Annex No 6 and Annex No 7).

5.9. 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.

5.10. 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 5.9 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.

5.11. 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; see Annex No. 8), however different values of the Companies' shares are mainly caused by the following reasons:

5.11.1. 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 electrinė (*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;

5.11.2. 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;

5.11.3. 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;

5.11.4. although the book value of VST assets is lower, the operating costs of VST are also lower.

5.12. 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:

5.12.1. 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;

5.12.2. 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).

5.13. 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:

5.13.1. 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;

5.13.2. 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).

5.14. In case the number of shares calculated to shareholders in accordance with Sections 5.12 and 5.13 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 5.12 and 5.13 will be decreased by the number equal to the difference between the number of shares calculated to shareholders in accordance with Sections 5.12 and 5.13 and the authorized capital of LESTO, the company to be active after Reorganization.

5.15. In case the number of shares calculated to shareholders in accordance with Sections 5.12 and 5.13 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 5.12 and 5.13 will be increased by the number equal to the difference between the number of shares calculated to shareholders in accordance with Sections 5.12 and 5.13 and the authorized capital of LESTO, the company to be active after Reorganization.

6. PROCEDURE AND TERMS OF ISSUE OF SHARES OF THE NEW COMPANY TO BE ACTIVE AFTER REORGANIZATION

6.1. Operators of securities accounts shall make records verifying ownership right of RST and VST shareholders to LESTO shares not later than within 2 working days after the Central Securities Depository of Lithuania has opened a securities account for LESTO.

6.2. After operators of securities accounts have made records verifying the ownership right of RST and VST shareholders to the newly issued shares of LESTO, the notice of material event will be given to the shareholders informing about the records made.

6.3. For at least 5 (five) working days after the general meetings of shareholders of RST and VST considering the approval of these Reorganization Terms have taken place, trading of RST and VST shares will not be terminated in order the shareholders of RST and VST could sell the shares of RST and VST held by them to other persons at their own discretion.

6.4. After the term specified in Section 6.3 expires, but before LESTO's incorporation documents are submitted to the Registrar of Legal Entities in connection with registration of the newly incorporated company LESTO, trading in RST and VST shares on the official and additional lists of AB NASDAQ OMX Vilnius Stock Exchange will be terminated and these shares will be removed from the mentioned lists.

6.5. 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. For avoidance of any doubt, shareholders of RST and VST, as the future shareholders of LESTO, upon approval of these Reorganization Terms shall transfer all rights and authorizations to the board of LESTO to adopt the necessary decisions and file applications for listing LESTO shares into trading on AB NASDAQ OMX Vilnius Stock Exchange, in accordance with procedures laid down in legal acts. No additional decision of LESTO shareholders will be required in respect of listing of LESTO shares on AB NASDAQ OMX Vilnius Stock Exchange.

7. PROCEDURE AND TERMS OF TAKEOVER OF THE REORGANIZED COMPANIES' ASSETS, RIGHTS AND OBLIGATIONS

7.1. 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 asthe **"Transferred assets, rights and obligations"**).

7.2. 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 Transferred assets, rights and obligations will be considered as those of LESTO, including the rights and obligations under employment contracts. In addition, as of the moment of registration of LESTO, on the basis of these Reorganization Terms LESTO shall be granted a 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; as well as, for uninterrupted and high-quality provision of electricity supply services and other services to consumers.

7.3. 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.

7.4. After the Date of Transfer, on the basis of these 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.

7.5. 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 employment contracts) will be signed between LESTO and RST, and LESTO and VST. The mentioned deeds of transfer and acceptance as well as these 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.

7.6. 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.

7.7. 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.

7.8. 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 these 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 occur before adoption of the decision of shareholders to reorganise RST and VST and to approve the Reorganisation Terms, and such changes are deemed material changes of assets, rights and obligations of RST and/or VST, the managers of RST and VST will draft and deliver the notices stipulated in Article 65(4) of the Law on Companies of the Republic of Lithuania.

8. RIGHTS GRANTED TO SHAREHOLDERS IN THE NEW COMPANY TO BE ACTIVE AFTER REORGANIZATION

8.1. Having merged RST and VST into a new company LESTO, shareholders of RST and VST will be granted the property and non-property rights of shareholders conferred by ordinary registered shares of LESTO in accordance with Law on Companies of the Republic of Lithuania, other normative legal acts of the Republic of Lithuania and the articles of association of LESTO, the company to be active after reorganization. LESTO has no intentions of issuing shares of other classes, debentures or other securities during the period of Reorganization. Taxes on the income related to the shares of LESTO are withheld in accordance to legal requirements of the Republic of Lithuania.

8.2. Shareholders of RST and VST, which will cease their existence after Reorganization, shall be unconditionally entitled to a particular share of profit as of the moment when operators of securities accounts make records verifying RST and VST shareholders' ownership right to the shares of LESTO.

9. RIGHTS GRANTED TO MEMBERS OF THE COMPANIES' BODIES AND EXPERTS ASSESSING REORGANIZATION TERMS DURING THE REORGANIZATION. EXPIRY OF POWERS OF MEMBERS OF BODIES OF THE REORGANIZED COMPANIES. STRUCTURE OF BODIES OF THE COMPANY TO BE ACTIVE AFTER REORGANIZATION

9.1. During Reorganization, the boards and managing directors of the Companies, as well as experts carrying out the assessment of the Reorganization Terms, shall have all the rights granted to them under laws of the Republic of Lithuania, contracts entered into and the articles of association of the Companies. The aforementioned persons shall not be granted any additional rights.

9.2. The boards and managing directors of the Companies shall:

9.2.1. manage and control the Reorganization process of a respective Company;

9.2.2. adopt other decisions and perform actions set out in the Reorganization Terms, shareholders' decisions of a respective Company and laws of the Republic of Lithuania.

9.3. Managing directors of RST and VST shall be authorized to manage all the issues related to registration of LESTO to be active after Reorganization, registration of transfer of property rights, ownership rights and other rights, conclusion and/or amendments of contracts, and other issues in connection with Reorganization until LESTO is registered. No separate authorisations to perform the abovementioned actions will be issued to RST and VST managers. The managers of RST and VST shall have the right to transfer their powers to perform the aforementioned actions to full extent to other persons.

9.4. The powers of the board and managing directors of RST and VST shall expire upon removal of RST and VST from the Register of Legal Entities of the Republic of Lithuania under procedure prescribed by laws of the Republic of Lithuania.

9.5. The bodies of the new company LESTO will be the general meeting of shareholders, collegiate managing body – the board consisting of 5 members to be elected for a 4-year term, and a one-person managing body – managing director, whose competence is defined in legal acts of the Republic of Lithuania and LESTO's articles of association.

10. FINAL PROVISIONS

10.1. These Reorganization Terms shall be assessed by the audit company UAB Rimess, which will prepare the report on assessment of the Reorganization Terms in accordance with the procedure prescribed by laws of Republic of Lithuania. In order the Reorganization Terms could be assessed by the audit company common for both Companies, the Companies have obtained a respective approval from the Register of Legal Entities of the Republic of Lithuania the copy of which is attached as Annex No. 9 to the Reorganization Terms.

10.2. The boards of the Companies shall prepare extensive written reports on the prospective Reorganization in accordance with the procedure prescribed by the Law on Companies of Republic of Lithuania.

10.3. The Reorganization Terms along with the report on assessment of the Reorganization Terms prepared by the audit company and the reports on the prospective Reorganization prepared by the boards of the Companies shall be submitted to the Register of Legal Entities of the Republic of Lithuania.

10.4. Shareholders of the Companies shall approve the articles of association of LESTO which will be submitted to the Register of Legal Entities of the Republic of Lithuania together with other incorporation documents of LESTO.

10.5. Notice about execution of the Reorganization Terms shall be given in the daily specified in the articles of association of RST and VST, i.e. in *Verslo žinios*, and, subject to the procedure for announcement of information, three times at no shorter than 30-day intervals.

Annexes to the Reorganization Terms:

1. Decision of general meeting of shareholders of RST regarding approval of the execution of the Reorganization Terms.
2. Decision of general meeting of shareholders of VST regarding approval of the execution of the Reorganization Terms.
3. The table on calculation of the shares conversion rate.
4. Interim financial statements of RST, dated 30 June 2010.
5. Interim financial statements of VST, dated 30 June 2010.
6. The table on calculation of the average weighted market price of shares of RST over the last 6 months (calculating as of 13 August 2010).
7. The table on calculation of the average weighted market price of shares of VST over the last 6 months (calculating as of 13 August 2010).
8. Table of comparison of some performance indices of RST and VST.
9. Approval from the Register of Legal Entities of the Republic of Lithuania regarding the performance of assessment of the Reorganization Terms by the audit company common for both Companies.
10. Draft articles of association of LESTO.

ANNEX 1

Decision of general meeting of shareholders of RST regarding approval of the execution of the Reorganization Terms

[*SEE ATTACHED*]

MINUTES NO. 1

OF THE EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS OF AB RYTŲ SKIRSTOMIEJI TINKLAI, HELD ON 4 JANUARY 2010

Date: 4 Janaury 2010

Beginning: 10.00 a.m.

Venue: Room No. 600, located at P. Lukšio g. 5B, Vilnius

The Company's authorized capital comprises LTL 492,404,653 which is divided into 492,404,653 ordinary registered shares of LTL 1 nominal value each. One ordinary registered share shall confer one vote.

The extraordinary general meeting of shareholders (the "Meeting) of AB "Rytų skirstomieji tinklai" (the "Company") is attended by:

The Company's shareholders: the list of attending shareholders is attached as Annex 1;

The number of votes held by attending shareholders: 451,285,436 votes out of 492,404,653 possible votes (91.65 % of all votes held in the Company). Shareholders LEO LT, AB, Swedbank AS (Estonia), The Bank of New York voted in advance; therefore their votes are included into the quorum and the voting results (general voting ballots are attached as Annex 4).

I. ORGANIZATIONAL ISSUES OF THE MEETING

The Meeting is opened by Arvydas Tarasevičius, managing director of AB "Rytų skirstomieji tinklai". Arvydas Tarasevičius explains that the Company's board, based on their application received from LEO LT, AB, on 11 December 2009 took the decision to convene this Meeting. Notice of convocation of the Meeting was given in the daily "*Lietuvos rytas*", 12 December 2009, No. 288.

The total number of shares in the Company is 492,404,653. Pursuant to information provided by the registration commission, the registered shareholders hold 451,285,436 shares. Thus, including the shareholders who voted in writing, the Meeting is attended by the shareholders who hold 91.65 % of all shares. The quorum in the Meeting exists and the Meeting can be started.

1. Election of the chairman of the Meeting

Arvydas Tarasevičius explains that in conformity with law it is required to elect the chairman of the Meeting by votes conferred by the shares.

Arvydas Tarasevičius enquires about suggestions as to the candidates to the chairman of the Meeting.

Arvydas Tarasevičius suggests Arvydas Zakalskis to be elected the chairman of the Meeting.
Arvydas Tarasevičius enquires whether there are any other candidates.

No other candidates are proposed.

Arvydas Tarasevičius offers to vote for the candidacy of Arvydas Zakalskis as the chairman of the Meeting.

Voting results:

451,285,436 votes "for" (100% of all votes of attending shareholders);
0 votes "against" (0% of all votes of attending shareholders).

RESOLVED: To elect Arvydas Zakalskis the chairman of the Meeting.

Arvydas Tarasevičius assigns the conduct of the Meeting to the elected chairman of the Meeting.

2. Election of the vote calculation commission and its chairman, other procedural issues

The chairman of the Meeting repeats that the quorum in the Meeting exists and the Meeting may be held and offers to approve the regulations of the Meeting. The proposed regulations are read aloud:

1. The composition of the vote calculation commission:

Kęstutis Ubara	Chairman of the Commission
Neringa Miceikienė	Member of the Commission
Asta Žukauskienė	Member of the Commission

2. Secretary of the Meeting – Vaida Genytė – Kazlauskienė.

3. The person authorised by shareholders to sign the minutes of the Meeting shall not be elected.

4. The functions of the inspector of the meeting will be performed by the chairman of the vote calculation commission.

5. The agenda of the Meeting conforms to the agenda announced in the daily "*Lietuvos rytas*", 12 December 2009, No. 288.

6. The items on the agenda of the Meeting will be considered and voted on in accordance with the sequence of items stipulated in the agenda.

7. The speaking time for speakers on the items on the agenda shall not be limited. Questions to the speakers and answers to such questions on each item on the agenda shall be subject to a 15-minute limit. Persons participating in discussions shall observe a 3-minute limit, not exceeding 15 minutes in total.

8. Any alternative draft resolutions of the Meeting proposed by shareholders, if any, shall be submitted to the secretary of the Meeting in writing or orally and recorded by the secretary of the Meeting in the minutes of the Meeting.

9. Voting at the meeting on all matters shall be open. Voting on the items on the agenda of the Meeting shall be performed by the voting cards delivered by the vote calculation commission members. Secret vote shall be obligatory to all shareholders on the matters in respect of which at least one shareholder requests a secret vote and all shareholders whose shares confer at least 1/10 of all votes at this Meeting consent to such secret vote.

The chairman of the Meeting enquires whether all persons attending the Meeting agree with the proposed regulations and whether there will be any other suggestions.

There are no other suggestions.

The chairman of the Meeting proposes to vote for the announced regulations.

Voting results:

451,285,436 votes "for" (100% of all votes of attending shareholders);
0 votes "against" (0% of all votes of attending shareholders).

RESOLVED:

To approve the following regulations of the Meeting:

1. The composition of the vote calculation commission:

Kęstutis Ubara	**Chairman of the Commission**
Neringa Miceikienė	**Member of the Commission**
Asta Žukauskienė	**Member of the Commission**

2. Secretary of the Meeting – Vaida Genytė – Kazlauskienė.

3. The person authorised by shareholders to sign the minutes of the Meeting shall not be elected.

4. The functions of the inspector of the meeting will be performed by the chairman of the vote calculation commission.

5. The agenda of the Meeting conforms to the agenda announced in the daily "*Lietuvos rytas*", 12 December 2009, No. 288.

6. The items on the agenda of the Meeting will be considered and voted on in accordance with the sequence of items stipulated in the agenda.

7. The speaking time for speakers on the items on the agenda shall not be limited. Questions to the speakers and answers to such questions on each item on the agenda shall be subject to a 15-minute limit. Persons participating in discussions shall observe a 3-minute limit, not exceeding 15 minutes in total.

8. Any alternative draft resolutions of the Meeting proposed by shareholders, if any, shall be submitted to the secretary of the Meeting in writing or orally and recorded by the secretary of the Meeting in the minutes of the Meeting.

9. Voting at the meeting on all matters shall be open. Voting on the items on the agenda of the Meeting shall be performed by the voting cards delivered by the vote calculation commission members. Secret vote shall be obligatory to all shareholders on the matters in respect of which at least one shareholder requests a secret vote and all shareholders whose shares confer at least 1/10 of all votes at this Meeting consent to such secret vote.

II. CONSIDERATION OF THE ITEMS ON THE AGENDA OF THE MEETING

The chairman of the Meeting reads out the agenda of the Meeting:

1. On drafting the terms of reorganization of the public company "Rytų skirstomieji tinklai" and the public company "VST" by way of merger.

Consideration of the items on the agenda is started.

1. On drafting the terms of reorganization of the public company "Rytų skirstomieji tinklai" and the public company "VST" by way of merger.

The chairman of the Meeting reads out the proposed draft resolution on this matter:

"To assign the boards of the public company "Rytų skirstomieji tinklai" and the public company "VST" to draft the terms of reorganization of the public company "Rytų skirstomieji tinklai" and the public company "VST" by merger."

The chairman of the Meeting informs that they have received the alternative draft resolution from LEO LT, AB:

"To assign the boards of the public company "Rytų skirstomieji tinklai" and the public company "VST", in cooperation with the board of the parent company or the person performing the functions thereof, to draft the terms of reorganization of the public company "Rytų skirstomieji tinklai" and the public company "VST" by merger."

The chairman of the Meeting enquires whether the shareholders whose rights confer at least 1/20 of all votes have any other alternative draft resolutions on this item of the agenda.

There are no suggestions.

The following draft resolutions are proposed on the first item on the agenda:

(a) Initial:

"To assign the boards of the public company "Rytų skirstomieji tinklai" and the public company "VST" to draft the terms of reorganization of the public company "Rytų skirstomieji tinklai" and the public company "VST" by merger."

(b) Alternative draft resolution proposed by the shareholder LEO LT, AB:

"To assign the boards of the public company "Rytų skirstomieji tinklai" and the public company "VST", in cooperation with the board of the parent company or the person performing the functions thereof, to draft the terms of reorganization of the public company "Rytų skirstomieji tinklai" and the public company "VST" by merger."

The chairman of the Meeting proposes to vote on each draft resolution separately.

Voting results:

(a) 70,470 votes "for" (0.02 % of all votes of attending shareholders);
451,214,966 votes "against" (99.98 % of all votes of attending shareholders).

(b) 451,161,553 votes "for" (99.97 % of all votes of attending shareholders);
53,413 votes "against" (0.01 % of all votes of attending shareholders).

RESOLVED: To assign the boards of the public company "Rytų skirstomieji tinklai" and the public company "VST", in cooperation with the board of the parent company or the person performing the functions thereof, to draft the terms of reorganization of the public company "Rytų skirstomieji tinklai" and the public company "VST" by merger.

III. CLOSING OF THE MEETING

The chairman of the Meeting explains that the minutes of the Meeting will be drawn up and signed within 7 days after the date of the general meeting of shareholders. All persons attending the Meeting will have the right to review the minutes and not later than within 3 days after the moment of review, however not later than within 10 days after the date of the Meeting, submit in writing their comments or opinion regarding the facts stated in the minutes and the execution of the minutes.

The Meeting is declared closed.

Closing time: 10:45 a.m.

Annexes:

1. Annex 1 – List of shareholders attending the Meeting;
2. Annex 2 – Authorisations;
3. Annex 3 – Copy of the notice of convocation of the Meeting;
4. Annex 4 – General voting ballots.

Chairman of the Meeting:	Secretary of the Meeting:
/signature/	/signature/
Arvydas Zakalskis	Vaida Genytė – Kazlauskienė

Person performing the functions of the inspector of the Meeting:
/signature/

Kęstutis Ubara

ANNEX 2

Decision of general meeting of shareholders of VST regarding approval of the execution of the Reorganization Terms

[*SEE ATTACHED*]

EXTRACT

PUBLIC COMPANY "VST"

MINUTES
OF THE EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS

04-01-2010 No. 1
Vilnius

Date: 4 Janaury 2010

Beginning: 10.00 a.m.

Venue: J. Jasinskio 16 C, Vilnius, 5th floor, Room 525.

Linaras Dargis, speaker of the meeting, informs that on 11 December 2009 the board of the public company "VST", based on the application No. SD-2-394 "Concerning convocation of the extraordinary general meeting of shareholders of the public company "VST" received from LEO LT, AB on 10 December 2009, took the decision to convene the extraordinary general meeting of shareholders of the public company "VST". Conforming to the Law on Companies of the Republic of Lithuania and the articles of association of the public company "VST", notice of convocation of the extraordinary general meeting of shareholders of the public company "VST" was given on 14 December 2009 in the daily "*Lietuvos rytas*", No. 289, and on 14 December 2009 in the daily "*Respublika*", No. 289, announcing also the agenda of the meeting.

The speaker declares that the authorised capital of the public company "VST" (the "Company") comprises LTL 111,539,940. As of the day of the meeting of shareholders, 3,717,998 shares issued in the Company confer 3,717,998 votes.

The speaker also informs that the number of general voting ballots completed in advance is 1 (one). The general voting ballot was submitted by LEO LT, AB, which o the day of this meeting holds 3,651,534 shares, i.e. 98.2 percent.

No agreements for assignment of powers and voting rights were submitted during registration of participants.

The number of votes of shareholders attending the meeting – 3,651,534 votes out of 3,717,998 possible votes (98.2 %).

The speaker of the meeting informs that based on the information held by the Company more than 5 percent of all shares in the Company are owned and possessed by one shareholder – LEO LT, AB, which holds 3,651,534 shares, i.e. 98.2 percent.

The speaker informs that the quorum in the meeting exists and the meeting may adopt resolutions.

<...>

The chairman of the meeting reads out the agenda of the extraordinary meeting of shareholders of the Company:

AGENDA:

1. On drafting the terms of reorganization of the public company "Rytų skirstomieji tinklai" and the public company "VST" by way of merger.

<...>

1. CONSIDERED. Drafting of the terms of reorganization of the public company "Rytų skirstomieji tinklai" and the public company "VST" by way of merger.

Linaras Dargis, chairman of the meeting, acquaints the shareholders with the first item on the agenda and reads aloud the draft resolution on this item:

"1.1. To assign the boards of the public company "Rytų skirstomieji tinklai" and the public company "VST" to draft the terms of reorganization of the public company "Rytų skirstomieji tinklai" and the public company "VST" by merger."

The chairman of the meeting also informs that they have received from the shareholder LEO LT, AB the alternative draft resolution on this item of the agenda and reads it out:

"1.1. To assign the boards of the public company "Rytų skirstomieji tinklai" and the public company "VST", in cooperation with the board of the parent company or the person performing the functions thereof, to draft the terms of reorganization of the public company "Rytų skirstomieji tinklai" and the public company "VST" by merger."

The chairman of the meeting enquires whether the shareholders whose rights confer at least 1/20 of all votes have any other alternative draft resolutions on this item of the agenda.

There are no suggestions.

The chairman of the meeting notes that two draft resolutions are proposed on this item on the agenda and reads them aloud:

(a) Initial draft resolution:

"1.1. To assign the boards of the public company "Rytų skirstomieji tinklai" and the public company "VST" to draft the terms of reorganization of the public company "Rytų skirstomieji tinklai" and the public company "VST" by merger."

(b) Alternative draft resolution proposed by the shareholder LEO LT, AB:

"1.1. To assign the boards of the public company "Rytų skirstomieji tinklai" and the public company "VST", in cooperation with the board of the parent company or the person performing the functions thereof, to draft the terms of reorganization of the public company "Rytų skirstomieji tinklai" and the public company "VST" by merger."

The chairman of the meeting proposes to vote on each draft resolution separately.

Voted:

(a) the total number of votes of shareholders who voted for the initial draft resolution – 3,651,534, out of them: "for" – 0 (0 percent) of votes, "against" – 3,651,534 (100 percent) of votes. The vote represented the part of the Company's authorised capital amounting to LTL 109,546,020. The number of voting shares held by the attending shareholders – 3,651,534.

(b) the total number of votes of shareholders who voted for the draft resolution proposed by LEO LT, AB – 3,651,534, out of them: "for" – 3,651,534 (100 percent) of votes, "against" – 0 (0 percent) of votes. The vote represented the part of the Company's authorised capital amounting to LTL 109,546,020. The number of voting shares held by the attending shareholders – 3,651,534.

RESOLVED: To adopt the draft resolution proposed by LEO LT, AB, i.e.:

To assign the boards of the public company "Rytų skirstomieji tinklai" and the public company "VST", in cooperation with the board of the parent company or the person performing the functions thereof, to draft the terms of reorganization of the public company "Rytų skirstomieji tinklai" and the public company "VST" by merger.

<...>

The chairman of the meeting informs that all the items on the agenda of the meeting are resolved and asks whether there are any comments and/or protests regarding the conduct of the meeting.

The chairman of the meeting explains that the minutes of the meeting will be drawn up and signed within 7 days after the date of the general meeting of shareholders. All persons attending the meeting will have the right to review the minutes and not later than within 3 days after the moment of review, however not later than within 10 days after the date of the meeting, submit in writing their comments or opinion regarding the facts stated in the minutes and the execution of the minutes.

The meeting is declared closed.

Closing time: 10:30 a.m.

Chairman of the Meeting:

/signature/

Linaras Dargis

Secretary of the Meeting:

/signature/

Aistė Samulienė

Person performing the functions of the inspector of the meeting:

/signature/

Jolita Faktorovičienė

TRUE EXTRACT
31-08-2010
/seal/ /signature
Linaras Dargis
Head of the Legal Department

ANNEX 3

The table on calculation of the shares conversion rate

<u>Substantiation of the shares conversion rate</u>				
	Amount, LTL	**Amount, thousand LTL**	**Rate**	**Rate (rounded)**
<u>Book value of own capital as of 30 June 2010</u>				
RST		2,190,598	59.57%	
VST		1,486,574	40.43%	
Capitalization (based on the weighted price average as of 13 August 2010, inclusive)				
RST	1,053,745,957	1,053,746	55.01%	
VST	861,720,396	861,720	44.99%	
Arithmetic mean of two methods				
RST		1,622,172	58.01%	58.00%
VST		1,174,147	41.99%	42.00%
Sources: 30 June 2010 audited accounts, NASDAQ OMX trading data				

ANNEX 4

Interim financial statements of RST, dated 30 June 2010

[*SEE ATTACHED*]

AB RYTŲ SKIRSTOMIEJI TINKLAI
CONSOLIDATED AND THE COMPANY'S CONDENSED INTERIM FINANCIAL INFORMATION FOR THE FIRST HALF OF 2010
(UNAUDITED)

This interim financial information has been prepared in Lithuanian and in English. In all matters of interpretation of information, views or opinions, the Lithuanian version takes precedence over the English version.

CONTENTS Page

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers UAB
J. Jasinskio 16B
LT-01112 Vilnius
Lithuania
Telephone +370 (5) 239 2300
Facsimile +370 (5) 239 2301
E-mail vilnius@lt.pwc.com
www.pwc.com/lt

Our report has been prepared in Lithuanian and in English. In all matters of interpretation of information, views or opinions, the Lithuanian version of our report takes precedence over the English version.

Review report of interim financial information

To the shareholders and Board of Directors of Rytų Skirstomieji Tinklai AB

Introduction

We have reviewed the accompanying stand alone condensed interim statement of financial position of Rytų Skirstomieji Tinklai AB (hereinafter "the Company") and the consolidated condensed interim statement of financial position of the Company and its subsidiaries (hereinafter "the Group") as of 30 June 2010 and the related stand alone and consolidated condensed interim statements of comprehensive income, changes in equity and cash flows for the six – month period then ended, and condensed explanatory notes set out on pages 5 – 21. Management is responsible for the preparation and presentation of this stand alone and consolidated condensed interim financial information in accordance with International Financial Reporting Standards as adopted by the European Union applicable to interim financial reporting (International Accounting Standard (IAS) No. 34, "Interim financial reporting"). Our responsibility is to express a conclusion on this stand alone and consolidated condensed interim financial information based on our review.

Scope of review

Except as discussed below, we conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of interim financial information performed by the independent auditor of the entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion - scope limitation

According to the Company's and the Group's accounting policy, property, plant and equipment should be carried at revalued amounts (being their fair values as of the date of revaluation less subsequent accumulated depreciation and impairment losses) and are subject to an impairment test when impairment indicators exist. As explained in Note 1.1 to the financial information, the amendments to the legislation may have a significant adverse impact on the fair value and recoverable amount of the Company's and the Group's assets. The Company's and the Group's management was not able to reassess fair values of property, plant and equipment with the carrying amounts of LTL 2,752 million and LTL 2,723 million as of 30 June 2010 (LTL 2,759 million and LTL 2,738 million respectively as of 31 December 2009), or to carry out a proper impairment test. It has not been possible to estimate reliably the financial effects of this non-compliance.

PRICEWATERHOUSECOOPERS

Qualified conclusion

Based on our review, except for the possible effects on the matter referred to in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying stand alone and consolidated condensed interim financial information is not prepared, in all material respects, in accordance with IAS No. 34, "Interim financial reporting".

On behalf of PricewaterhouseCoopers UAB

Christopher C. Butler
Partner

Rimvydas Jogėla
Auditor's Certificate No.000457

Vilnius, Republic of Lithuania
23 August 2010

Statement of financial position

	Note	GROUP		COMPANY	
ASSETS		30/06/2010	31/12/2009 (Restated)	30/06/2010	31/12/2009 (Restated)
Non-current assets					
Property, plant and equipment	4	2,751,868	2,828,552	2,723,475	2,798,675
Intangible assets		5,994	3,849	5,990	3,843
Prepayments for property, plant, equipment and intangible assets		1,051	1,310	1,051	1,310
Investments in subsidiaries		-	-	36,643	36,643
Deferred income tax assets		29	169	-	-
Non-current amounts receivable		2,596	2,671	2,596	2,671
		2,761,538	2,836,551	**2,769,755**	**2,843,142**
Current assets					
Inventories		6,835	5,141	1,088	1,581
Trade and other receivables	5	87,022	98,130	85,483	97,507
Prepayments, deferred charges and accrued income		10,345	11,725	9,911	11,524
Prepaid income tax		264	239	-	-
Loans granted	13	-	70,000	-	70,000
Short-term investments		50,000	47,500	50,000	47,500
Cash and cash equivalents	6	27,680	24,074	24,545	21,306
		182,146	256,809	171,027	249,418
Non-current assets classified as held for sale		679	679	2	2
		182,825	**257,488**	**171,029**	**249,420**
Total assets		**2,944,363**	**3,094,039**	**2,940,784**	**3,092,562**
EQUITY					
Equity and reserves attributable to shareholders of the Company					
Share capital		492,405	492,405	492,405	492,405
Revaluation reserve		1,186,482	1,243,355	1,180,894	1,237,738
Legal reserve		49,484	49,551	49,240	49,240
Other reserves	7	271	1,638	-	-
Retained earnings	7	461,956	502,494	469,096	509,307
Total equity		2,190,598	2,289,443	**2,191,635**	2,288,690
LIABILITIES					
Amounts payable after one year and non-current liabilities					
Borrowings	11	122,788	125,514	122,788	125,514
Deferred income tax liability		237,179	242,812	237,501	243,171
Deferred income	8	184,021	187,638	184,021	187,638
Grants and subsidies		8,972	9,004	8,972	9,004
Non-current employee benefits		4,838	4,859	4,838	4,859
Other non-current liabilities		607	-	607	-
		558,405	**569,827**	**558,727**	**570,186**
Amounts payable within one year and current liabilities					
Borrowings	11	28,826	54,918	26,469	54,918
Trade and other payables	9	135,149	146,210	132,585	145,180
Advances received and accrued liabilities	10	25,226	29,301	25,209	29,248
Derivative financial instruments		2,341	512	2,341	512
Current income tax liabilities		3,818	3,828	3,818	3,828
		195,360	**234,769**	**190,422**	**233,686**
Total liabilities		**753,765**	**804,596**	**749,149**	**803,872**
Total equity and liabilities		2,944,363	3,094,039	2,940,784	3,092,562

The accompanying condensed notes are an integral part of these financial statements.

General Manager	Arvydas Tarasevičius	
Director of Finance Department	Arvydas Zakalskis	

Statement of comprehensive income

		1 January – 30 June			
		GROUP		COMPANY	
	Note	2010	2009	2010	2009
Revenue	1	652,872	612,203	652,170	610,523
Purchase of electricity	1	(395,158)	(292,016)	(395,158)	(292,016)
Electricity transmission service costs	1	(69,991)	(82,571)	(69,991)	(82,571)
Depreciation and amortisation		(108,538)	(124,982)	(106,574)	(121,885)
Employee benefits and related social security contributions		(50,989)	(56,265)	(41,315)	(45,910)
Repair and maintenance expense		(14,903)	(13,791)	(22,032)	(21,081)
Transportation expenses		(622)	(136)	(4,393)	(4,644)
Effect of revaluation of property, plant and equipment	4	-	(32,087)	-	(31,903)
Gain on disposal of property, plant and equipment		(47)	324	(129)	11
Other expenses		(12,974)	(16,974)	(12,044)	(15,972)
Operating profit (loss)		**(350)**	**(6,295)**	**534**	**(5,448)**
Finance income		3,659	2,316	4,369	3,200
Finance (costs)		(3,545)	(2,874)	(3,528)	(2,830)
Finance income (costs) – net		114	(558)	841	370
Profit (loss) before income tax		**(236)**	**(6,853)**	**1,375**	**(5,078)**
Income tax	12	(498)	389	(319)	475
Profit (loss) for the period		**(734)**	**(6,464)**	**1,056**	**(4,603)**
Other comprehensive income/(expenses):					
Loss on revaluation of property, plant and equipment		-	(173,896)	-	(172,207)
Deferred income tax effect		-	34,763	-	34,441
Other comprehensive income/(expenses) for the period		-	**(139,133)**	-	**(137,766)**
Total comprehensive (expense)/income for the period		(734)	(145,597)	1,056	(142,369)
Profit (loss) attributable to shareholders of the Company					
Profit (loss) for the period		(734)	(6,464)	1,056	(4,603)
Total comprehensive (expense)/income for the period		(734)	(145,597)	1,056	(142,369)
Basic and diluted earnings (deficit) per share (in LTL)		(0.001)	(0.01)	-	-

The accompanying condensed notes are an integral part of these financial statements.

General Manager	Arvydas Tarasevičius	
Director of Finance Department	Arvydas Zakalskis	

Statement of changes in equity

GROUP	Note	Attributable to shareholders of the Company					
		Share capital	Revaluation reserve	Legal reserve	Other reserves	Retained earnings	Total
Balance at 1 January 2009		492,405	1,462,054	49,516	336,169	82,495	2,422,639
Total comprehensive (expense)/income for the period		-	(139,133)	-	-	(6,464)	(145,597)
Transfers to retained earnings (depreciation), net of deferred income tax		-	(65,041)	-	-	65,041	-
Transfer to reserves		-	-	35	(331,881)	331,846	-
Reserves utilised		-	-	-	(2,650)	2,650	-
Balance at 30 June 2009		492,405	1,257,880	49,551	1,638	475,568	2,277,042
Balance at 1 January 2010		492,405	1,243,355	49,551	1,638	490,362	2,277,311
Restatement due to change in accounting policy	3					12,132	12,132
Balance at 1 January 2010 (restated)		492,405	1,243,355	49,551	1,638	502,494	2,289,443
Total comprehensive (expense)/income for the period		-	-	-	-	(734)	(734)
Transfers to retained earnings (depreciation), net of deferred income tax		-	(56,873)	-	-	56,873	-
Transfer to reserves		-	-	-	-	-	-
Reserves utilised	7	-	-	(67)	(1,367)	1,434	-
Dividends	7	-	-	-	-	(98,111)	(98,111)
Balance at 30 June 2010		492,405	1,186,482	49,484	271	461,956	2,190,598

COMPANY	Note	Share capital	Revaluation reserve	Legal reserve	Other reserves	Retained earnings	Total
Balance at 1 January 2009		492,405	1,452,735	49,240	333,519	89,277	2,417,176
Total comprehensive (expense)/income for the period		-	(137,766)	-	-	(4,603)	(142,369)
Transfers to retained earnings (depreciation), net of deferred income tax		-	(64,956)	-	-	64,956	-
Reserves utilised		-	-	-	(333,519)	333,519	-
Balance at 30 June 2009		492,405	1,250,013	49,240	-	483,149	2,274,807
Balance at 1 January 2010		492,405	1,237,738	49,240	-	497,175	2,276,558
Restatement due to change in accounting policy	3					12,132	12,132
Balance at 1 January 2010 (restated)		492,405	1,237,738	49,240	-	509,307	2,289,690
Total comprehensive (expense)/income for the period		-	-	-	-	1,056	1,056
Transfers to retained earnings (depreciation), net of deferred income tax		-	(56,844)	-	-	56,844	-
Dividends	7	-	-	-	-	(98,111)	(98,111)
Balance at 30 June 2010		492,405	1,180,894	49,240	-	469,096	2,191,635

The accompanying condensed notes are an integral part of these financial statements.

General Manager	Arvydas Tarasevičius	
Director of Finance Department	Arvydas Zakalskis	

Statement of cash flows

		1 January – 30 June			
		GROUP		COMPANY	
	Note	2010	2009	2010	2009
Cash flows from operating activities					
Profit (loss) for the period		(734)	(6,464)	1,056	(4,603)
Adjustments for:					
Depreciation and amortisation		109,204	125,270	106,860	122,173
Impairment of property, plant and equipment		99	1,538	99	1,538
Revaluation of property, plant and equipment	4	-	32,087	-	31,903
Income tax expense		498	(391)	319	(477)
Amortisation of deferred income		(3,460)	(3,794)	(3,460)	(3,794)
Amortisation of grants		(286)	(288)	(286)	(288)
(Gain)/loss on disposal and write-off of property, plant and equipment		526	398	607	699
Dividends		-	-	(710)	(812)
Finance (income)		(3,659)	(2,316)	(3,658)	(2,388)
Finance costs		3,545	2,872	3,528	2,828
Other finance costs		-	2	-	2
Changes in working capital:					
(Increase) decrease in trade receivables and other receivables		13,536	20,476	13,536	19,468
(Increase) decrease in inventories, prepayments and other assets		(2,076)	(847)	492	(329)
Increase in amounts payable and advance amounts received		(4,399)	(17,345)	(4,641)	(20,041)
Income tax (paid)		(6,025)	(12,917)	(6,000)	(12,823)
Net cash generated from operating activities		**106,769**	**138,281**	**107,742**	**133,056**
Cash flows from investing activities					
(Purchase) of property, plant and equipment and intangible assets		(45,793)	(66,108)	(45,416)	(65,166)
Proceeds from sale of property, plant and equipment		(14)	485	(98)	145
Loan repayments received from subsidiaries		-	-	-	1,000
Loan repayments received		177	249	177	249
Term deposits		(2,500)	-	(2,500)	-
Dividends received		-	-	710	812
Interest received		3,659	2,316	3,658	2,388
Net cash flows used in investing activities		**(44,471)**	**(63,058)**	**(43,469)**	**(60,572)**
Cash flows from financing activities					
(Repayments) of borrowings		(2,726)	-	(2,726)	-
Dividends (paid) to the Company's shareholders	7	(28,132)	(35)	(28,132)	(35)
Interest (paid)		(1,744)	(3,597)	(1,728)	(3,553)
Other increases (decreases) in cash flows from financing activities		-	(2)	-	-
Net cash flows used in financing activities		**(32,602)**	**(3,634)**	**(32,586)**	**(3,588)**
Increase in cash and cash equivalents		**29,696**	**71,589**	**31,687**	**68,896**
Cash and cash equivalents at the beginning of period	6	**(6,333)**	**7,479**	**(9,101)**	**11,660**
Cash and cash equivalents at the end of the period	6	**23,363**	**79,068**	**22,586**	**80,556**

The accompanying condensed notes are an integral part of these financial statements.

General Manager	Arvydas Tarasevičius	
Director of Finance Department	Arvydas Zakalskis	

Condensed notes to the financial statements

1. General information

AB Rytų skirstomieji tinklai (hereinafter "the Company") is a public company registered in the Republic of Lithuania. The Company was registered with the Register of Legal Entities on 31 December 2001. The shares of the Company have been listed on the main list of NASDAQ OMX Vilnius Stock Exchange since 2 May 2007. The address of the Company's registered office is:

P. Lukšio g. 5b,
LT-08221 Vilnius,
Lithuania.

The core business of the Company includes electric power supply and distribution. The Company, which owns a medium and low voltage distribution network, is the only power distribution service provider to users in Eastern Lithuania.

On 27 May 2010, a session of the National Control Commission for Prices and Energy was convened where it was decided to unilaterally fix and announce public prices and tariffs of electricity for the second half of 2010 applicable to AB Rytų skirstomieji tinklai. With effect from 1 July 2010, night-time tariffs of electricity for residential customers will decrease by 2 ct/kWh (incl. VAT). Tariffs of electricity for other groups of customers will remain unchanged.

On 4 January 2010, an extraordinary general meeting of the shareholders of the Company was convened where it was decided to reorganise AB Rytų skirstomieji tinklai and AB VST by way of merger. On 4 May 2010, the Ministry of Energy made a public statement announcing that the Government of the Republic of Lithuania approved the plan on reorganisation of Lithuanian energy companies, the implementation of which will result in the formation of four segments of electric power companies namely transmission, generation, distribution and maintenance. During this reorganisation process AB VST and AB Rytų skirstomieji tinklai will be merged to form a new company over which control be retained by the Lithuanian Government.

During the liquidation of LEO LT, AB (ex-ultimate parent) and implementation of the energy sector reorganisation plan (which has been approved by the Lithuanian Government), LEO LT, AB in liquidation lost its ownership rights over shares and voting rights in AB Rytų skirstomieji tinklai. UAB Visagino atominė elektrinė, which is indirectly wholly owned by the state, acquired from LEO LT, AB in liquidation 351,316,161 ordinary registered shares of AB Rytų skirstomieji tinklai with par value of LTL 1 (one) each (share issue code: LT0000126385). LEO LT, AB contributed the shares of AB Rytu skirtstomieji tinklai to the share capital of UAB Visagino atominė elektrinė.

On 10 June 2010, LEO LT, AB notified AB Rytų skirstomieji tinklai about the forfeiture of its ownership rights over the shares and on the same date, AB Rytų skirstomieji tinklai received a notification from UAB Visagino atominė elektrinė about transfer of the shares from LEO LT, AB.

As at 31 December 2009, the shareholders of the Company were as follows:

	At 31 December 2009	
	Number of shares held	**Ownership interest in %**
LEO LT, AB	351,316,161	71.35 %
E.ON Ruhrgas International AG (Germany)	99,845,392	20.28 %
Other shareholders	41,243,100	8.37 %
Total	492,404,653	100 %

As at 30 June 2010, the shareholders of the Company were as follows:

	At 30 June 2010	
	Number of shares held	**Ownership interest in %**
UAB Visagino atominė elektrinė	351,316,161	71.35 %
E.ON Ruhrgas International AG (Germany)	99,845,392	20.28 %
Other shareholders	41,243,100	8.37 %
Total	492,404,653	100 %

All the Company's shares with the nominal value of LTL 1 are ordinary shares and they were fully paid as at 30 June 2009 and 31 December 2009. The Company does not have any classes of shares other than the ordinary shares mentioned above, there are no restrictions of share rights or special control rights for the shareholders set in the Articles of Association of the Company. The Company and its subsidiaries do not hold any of their own shares.

The Company's revenue increased as a result of a higher price of electricity sold effective from 1 January 2010.

General information (cont'd)

Expenses related to the purchase of electricity increased because of a higher price paid for electricity as a result of the closedown of Ignalina Nuclear Power Plant. Expenses related to public service obligations and electricity transmission services decreased due to changes in prices of services. In 2010, the price of public service obligations decreased by an average of 4.73 ct/kWh. In 2009, the price was set as 6.58 ct/kWh. The price of transmission service decreased to 3.41 ct/kWh (in 2009 it was 3.85 ct/kWh). In addition, the quantity of electricity in the distribution network declined (the value of public service obligations is calculated on this quantity). The mentioned quantity amounted to 2,150 million kWh in 2010 whereas in 2010 it was 2,181 million kWh.

The Company continues to implement cost optimisation plan, improves internal processes, carries out effective and transparent procurements. These measures resulted in lower employee benefits and other costs.

The consolidated group

The consolidated group (hereinafter "the Group") consists of the Company and its three subsidiaries. The subsidiaries included in the Group's consolidated financial statements are listed below:

				Interest held by the Group (%)		
Subsidiary	**Country**	**Cost of investment**	**Year of establish -ment**	**At 30 June 2010**	**At 31 December 2009**	**Type of activities**
UAB Rytra	Lithuania	22,998	2004	100 %	100 %	Transportation services
UAB Elektros tinklo paslaugos	Lithuania	11,657	2004	100 %	100 %	Power network and related equipment repair, maintenance and construction services
UAB Tetas	Lithuania	1,988	2005	100 %	100 %	Transformer substation, distribution station design, construction, repair and maintenance services
		36,643				

1.1. Critical accounting estimates

Revaluation and impairment of assets

The Group and the Company designate property, plant and equipment at fair value in accordance with International Accounting Standard No.16 'Property, plant and equipment'. Fair value of mostly all items of property, plant and equipment due to their specific nature is measured using a depreciated replacement cost approach at 31 December 2008.

If the value of assets is measured using the depreciated replacement cost method, International Valuation Standards require that an adequate profitability test is performed. Accounting standards require that values of property, plant and equipment are reviewed on a regular basis. When the carrying amount of property, plant and equipment stated in the balance sheet is higher than its value in use or fair value, less selling expenses, the value of property, plant and equipment should be reduced. In other words, the value of property, plant and equipment recorded in the balance sheet should be written down to the higher of the two indicators: value of future benefits of assets expected from their use or value of proceeds expected to be received from immediate write-off and disposal of assets.

The previous version of the Lithuanian Law on Electricity effective at 31 December 2008 stipulated that the price caps of electricity transmission, distribution and public supply services were determined based on the value of assets used in licensed activities of the service provider which was being established on the grounds of data reported in the service provider's financial statements (regulated base of assets).

According to the amendment effective from 1 June 2009 the Law has been amended and requires the price caps of transmission, distribution and public supply services to be determined based on the value of assets used in licensed activities of the service provider which is being estimated and approved by the National Control Commission for Prices and Energy (hereinafter "the Commission") in accordance with the principles of determination of the value of assets used in licensed activities of the service provider that have been drafted by the Commission and approved by the Government.

According to the Resolution on the Methodology of Determination of the Value of Assets used in Licensed Activities of the Electricity Service Provider, the determination of the price caps of electricity transmission, distribution and public supply services is to include the value of assets used in licensed activities of the service provider which is equal to net book value (carrying amount) of property, plant and equipment as at 31 December 2002 as increased by the amount of investments implemented and agreed with the Commission and reduced by the depreciation amount calculated pursuant to the procedure stipulated by the Lithuanian Law on Income Tax.

The aforementioned amendments to regulatory legislation have a significant negative impact on fair value of property, plant and equipment. Due to the reasons specified, values of property, plant and equipment reported in these financial statements may materially differ from those that would be determined if the valuation of assets were performed by independent valuers as required by International Valuation and Accounting Standards. It is probable that such valuation would have a negative effect on the results of the Group's and the Company' activities and the shareholders' equity reported in the financial statements for the year 2009 and for the first half of 2010.

Valuation of fair values of property, plant and equipment as at 31 December 2009 was not performed by independent valuers, as the mentioned amendments to regulatory legislation came in force only on 1 January 2010 and the impact of these amendments on the Group's and the Company's ability to earn income in future periods cannot be reliably estimated. Valuation of property, plant and equipment was not performed by independent valuers on 30 June 2010 either.

Financial risk management – liquidity risk

Management expects that a small amount of free cash flows will be available in 2010, however it will be positive and believes that under worst conditions the Company will have sufficient funds and will receive funding from banks to cover expenses expected to be incurred in 2010.

In the opinion of management, the Group's and the Company's cash flows generated from its operating activities and financial support will be sufficient to cover its current liabilities.

2. Basis of preparation

These condensed interim financial statements for the first half of 2010 have been prepared in accordance with IAS 34, 'Interim financial reporting'.

The condensed interim financial statements for the first half of 2010 should be read in conjunction with the annual financial statements for 2009, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

3. Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for 2009.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

New or amended standards and interpretations effective in 2010

IFRIC 18, 'Transfers of assets from customers' (effective prospectively to transfers of assets from customers received on or after 1 July 2009; IFRIC 18 as adopted by the EU is effective for annual periods beginning after 31 October 2009, with early adoption permitted). The interpretation clarifies the accounting for transfers of assets from customers, namely, the circumstances in which the definition of an asset is met; the recognition of the asset and the measurement of its cost on initial recognition; the identification of the separately identifiable services (one or more services in exchange for the transferred asset); the recognition of revenue, and the accounting for transfers of cash from customers.

The Group and the Company applied IFRIC 18 starting from 1 January 2010. Although the interpretation as adopted in EU is effective for the annual periods beginning after 31 October 2009, IFRIC 18 requirements should be applied to transfers of assets from customers received on or after 1 July 2009. As a result, the Group and Company has retrospectively restated the revenue received from new customer connections. This change of accounting policy in 2010 had the following effect: a reduction of deferred income by the amount of LTL 14,273 thousand (further information is provided in Note 8); an increase of deferred income tax liability by the amount of LTL 2,141 thousand; and an increase of retained earnings by of LTL 12,132 thousand.

New or revised standards effective in 2010 but not relevant to the Group and the Company

IFRS 3, 'Business combinations' (revised in January 2008) (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). This standard is not expected to be relevant to the operations of the Company and the Group.

IFRIC 15, 'Agreements for the construction of real estate' (effective for annual periods beginning on or after 1 January 2009; IFRIC 15 as adopted by the EU is effective for annual periods beginning after 31 December 2009, with early adoption permitted). The interpretation applies to the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors, and provides guidance for determining whether agreements for the construction of real estate are within the scope of IAS 11 or IAS 18. It also provides criteria for determining when entities should recognise revenue on such transactions.

IFRIC 16, 'Hedges of a net investment in a foreign operation' (effective for annual periods beginning on or after 1 October 2008; IFRIC 16 as adopted by the EU is effective for annual periods beginning after 30 June 2009, with early adoption permitted).

IAS 27, 'Consolidated and separate financial statements' (revised in January 2008) (effective for annual periods beginning on or after 1 July 2009). The revised IAS 27 will require an entity to attribute total comprehensive income to the owners of the parent and to the non-controlling interests (previously "minority interests") even if this results in the non-controlling interests having a deficit balance (the current standard requires the excess losses to be allocated to the owners of the parent in most cases). The revised standard specifies that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions. It also specifies how an entity should measure any gain or loss arising on the loss of control of a subsidiary. At the date when control is lost, any investment retained in the former subsidiary will have to be measured at its fair value. The Company will apply this standard from 1 January 2010.

Amendment to IAS 39, 'Financial instruments: Recognition and measurement' – Eligible hedged items (effective with retrospective application for annual periods beginning on or after 1 July 2009). The amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations. This standard is not expected to be relevant to the operations of the Company and the Group.

IFRIC 17, 'Distribution of non-cash assets to owners' (effective for annual periods beginning on or after 1 July 2009; IFRIC 17 as adopted by the EU is effective for annual periods beginning after 31 October 2009, with early adoption permitted). The interpretation clarifies when and how distribution of non-cash assets as dividends to the owners should be recognised. An entity should measure a liability to distribute non-cash assets as a dividend to its owners at the fair value of the assets to be distributed. A gain or loss on disposal of the distributed non-cash assets will be recognised in profit or loss when the entity settles the dividend payable. This interpretation is not expected to be relevant to the operations of the Company and the Group.

IFRS 1, 'First-time adoption of International Financial Reporting Standards' (following an amendment in December 2008, effective for the first IFRS financial statements for a period beginning on or after 1 July 2009; restructured IFRS 1 as adopted by the EU is effective for annual periods beginning after 31 December 2009, with early adoption permitted). The revised IFRS 1 retains the substance of its previous version but within a changed structure in order to make it easier for the reader to understand and to better accommodate future changes. This standard is not expected to be relevant to the operations of the Company and the Group.

Amendment to IAS 32, 'Financial instruments: Presentation' – Classification of rights issues (effective for annual periods beginning on or after 1 February 2010). The amendment exempts certain rights issues of shares with proceeds denominated in foreign currencies from classification as financial derivatives. This amendment does not have any impact on the Group's and Company's financial statements.

Amendments to IFRS 2, 'Share-based payment' – Group cash-settled share-based payment transactions (effective for annual periods beginning on or after 1 January 2010, not yet adopted by the EU).

Amendments to IFRS 1, 'First-time Adoption of IFRS' – Additional exemptions for first-time adopters (effective for annual periods beginning on or after 1 January 2010; not yet adopted by the EU).

New or revised standards and interpretations that are mandatory for the Company's and Group's accounting periods beginning on or after 1 July 2010 or later periods and which the Group and Company have not early adopted

IAS 24, 'Related party disclosures' (amended in November 2009; effective for annual periods beginning on or after 1 January 2011; not yet adopted by the EU). IAS 24 was revised in 2009 by: (a) simplifying the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition and by (b) providing a partial exemption from the disclosure requirements for government-related entities.

IFRS 9, 'Financial Instruments' (issued in November 2009; effective for annual periods beginning on or after 1 January 2013, with earlier application permitted; not yet adopted by the EU). IFRS 9 replaces those parts of IAS 39 relating to the classification and measurement of financial assets.

IFRIC 19, 'Extinguishing financial liabilities with equity instruments' (effective for annual periods beginning on or after 1 July 2010; not yet adopted by the EU). This IFRIC clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. A gain or loss is recognised in the profit and loss account based on the fair value of the equity instruments compared to the carrying amount of the debt.

Amendment to IFRIC 14 – Prepayments of a minimum funding requirement (effective for annual periods beginning on or after 1 January 2011; not yet adopted by the EU). This amendment will have a limited impact as it applies only to companies that are required to make minimum funding contributions to a defined benefit pension plan. It removes an unintended consequence of IFRIC 14 related to voluntary pension prepayments when there is a minimum funding requirement.

Amendment to IFRS 1 – Limited exemption from comparative IFRS 7 disclosures for first-time adopters (effective for annual periods beginning on or after 1 July 2010 once adopted by the EU). Existing IFRS preparers were granted relief from presenting comparative information for the new disclosures required by the March 2009 amendments to IFRS 7 'Financial Instruments: Disclosures'. This amendment to IFRS 1 provides first-time adopters with the same transition provisions as included in the amendment to IFRS 7. These amendments will not have any impact on the Group's financial statements.

Improvements to International Financial Reporting Standards (issued in May 2010; effective dates vary standard by standard, most improvements are effective for annual periods beginning on or after 1 January 2010; the improvements have not yet been adopted by the EU). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: IFRS 1 was amended (i) to allow previous GAAP carrying value to be used as deemed cost of an item of property, plant and equipment or an intangible asset if that item was used in operations subject to rate regulation, (ii) to allow an event driven revaluation to be used as deemed cost of property, plant and equipment even if the revaluation occurs during a period covered by the first IFRS financial statements and (iii) to require a first-time adopter to explain changes in accounting policies or in the IFRS 1 exemptions between its first IFRS interim report and its first IFRS financial statements; IFRS 3 was amended (i) to require measurement at fair value (unless another measurement basis is required by other IFRS standards) of non-controlling interests that are not present ownership interest or do not entitle the holder to a proportionate share of net assets in the event of liquidation, (ii) to provide guidance on acquiree's share-based payment arrangements that were not replaced or were voluntarily replaced as a result of a business combination and (iii) to clarify that the contingent considerations from business combinations that occurred before the effective date of revised IFRS 3 (issued in January 2008) will be accounted for in accordance with the guidance in the previous version of IFRS 3; IFRS 7 was amended to clarify certain disclosure requirements, in particular (i) by adding an explicit emphasis on the interaction between qualitative and quantitative disclosures about the nature and extent of financial risks, (ii) by removing the requirement to disclose carrying amount of renegotiated financial assets that would otherwise be past due or impaired, (iii) by replacing the requirement to disclose fair value of collateral by a more general requirement to disclose its financial effect, and (iv) by clarifying that an entity should disclose the amount of foreclosed collateral held at the reporting date and not the amount obtained during the reporting period; IAS 1 was amended to clarify that the components of the statement of changes in equity include profit or loss, other comprehensive income, total comprehensive income and transactions with owners and that an analysis of other comprehensive income by item may be presented in the notes; IAS 27 was amended by clarifying the transition rules for amendments to IAS 21, 28 and 31 made by the revised IAS 27 (as amended in January 2008); IAS 34 was amended to add additional examples of significant events and transactions requiring disclosure in a condensed interim financial report, including transfers between the levels of fair value hierarchy, changes in classification of financial assets or changes in business or economic environment that affect the fair values of the entity's financial instruments; and IFRIC 13 was amended to clarify measurement of fair value of award credits.

4. Property, plant and equipment

Group	Land	Buildings	Structures and machinery	Motor vehicles	Other property, plant and equipment	Construction in progress	Total
Net book amount at 1 January 2009	**40**	**181,145**	**2,883,047**	**17,375**	**85,756**	**69,633**	**3,236,996**
Additions	-	55	846	360	57	65,387	66,705
Disposals	-	(84)	(3)	(18)	(49)	-	(154)
Write-offs	-	(4)	(809)	(10)	(1,867)	-	(2,690)
Reversal of impairment	-	7	-	-	-	10	17
Impairment	-	-	(18)	-	(1,537)	-	(1,555)
Revaluation	-	(15,158)	(188,619)	-	(78)	(2,128)	(205,983)
Reclassifications between groups	-	5,228	60,335	119	12,537	(79,237)	(1,018)
Depreciation charge	-	(6,393)	(101,878)	(1,883)	(10,846)	-	(121,000)
Net book amount at 30 June 2009	**40**	**164,796**	**2,652,901**	**15,943,**	**83,973**	**53,665**	**2,971,318**
Net book amount at 1 January 2010	**40**	**136,714**	**2,563,964**	**14,665**	**77,284**	**35,885**	**2,828,552**
Additions	-	83,	2,652	298	346	29,973	33,352
Disposals	-	(30)	-	(2)	-	-	(32)
Write-offs	-	(16)	(562)	-	(2)	-	(580)
Reversal of impairment	-	-	-	1	-	-	1
Impairment	-	-	-	-	(100)	-	(100)
Reclassified to the group of assets held for sale	-	1	-	-	-	-	1
Reclassifications between groups	-	544	28,841	-	2,919	(32,304)	-
Depreciation charge	-	(5,765)	(92,297)	(1,515)	(9,749)	-	(109,326)
Net book amount at 30 June 2010	**40**	**131,531**	**2,502,598**	**13,447**	**70,698**	**33,554**	**2,751,868**

Company	Land	Buildings	Structures and machinery	Motor vehicles	Other property, plant and equipment	Construction in progress	Total
Net book amount at 1 January 2009	**40**	**162,027**	**2,879,416**	**86**	**84,477**	**69,587**	**3,195,633**
Additions	-	55	874	-	43	65,387	66,359
Disposals	-	(85)	-	-	(49)	-	(134)
Write-offs	-	(4)	(809)	-	(1,867)	-	(2,680)
Reversal of impairment	-	7	-	-	-	10	17
Impairment	-	-	(18)	-	(1,537)	-	(1,555)
Revaluation	-	(13,285)	(188,619)	-	(78)	(2,128)	(204,110)
Reclassifications between groups	-	5,676	61,108	-	12,536	(79,236)	84
Depreciation charge	-	(6,499)	(101,472)	(20)	(10,515)	-	(118,506)
Net book amount at 30 June 2009	**40**	**147,892**	**2,650,480**	**66**	**83,010**	**53,620**	**2,935,108**
Net book amount at 1 January 2010	**40**	**124,515**	**2,561,592**	**45**	**76,643**	**35,840**	**2,798,675**
Additions	-	83	2,130	-	304	29,973	32,490
Disposals	-	(30)	-	-	-	-	(30)
Write-offs	-	(16)	(561)	-	(1)	-	(578)
Reversal of impairment	-	-	-	1	-	-	1
Impairment	-	-	-	-	(100)	-	(100)
Reclassifications between groups	-	353	28,840	-	3,111	(32,304)	-
Depreciation charge	-	(5,417)	(91,903)	(21)	(9,642)	-	(106,983)
Net book amount at 30 June 2010	**40**	**119,488**	**2,500,098**	**25**	**70,315**	**33,509**	**2,723,475**

Property, plant and equipment (cont'd)

Write-offs are mostly related to write-offs of structures and electricity networks due to their reconstruction, damage or replacement as requested by the user.

The last revaluation of the Group's and the Company's property, plant and equipment was performed on 31 December 2009. The valuation of the Group's and the Company's property, plant and equipment (except for buildings, motor vehicles and assets of faster depreciation, e.g. computers) was carried out using indexes of construction prices covering a period of 11 months ending 30 November 2009 announced by the Statistics Department. The revaluation of the Company's and the Group's property, plant and equipment mostly comprising real estate (administrative buildings, warehouses), which was revaluated using a comparative price method in previous periods, was performed on 31 December 2009 with reference to the report on changes in real estate fair values in Lithuania by regions delivered by the independent property valuer UAB Ober-Haus nekilnojamasis turtas which was prepared using market-based evidence on real estate prices.

There were no significant changes in indexes of construction prices announced by the Statistics Department in the first half of 2010 as compared to December 2009. Due to insignificant changes the Company and the Group did not carry out revaluation of property, plant and equipment in 2010.

5. Trade and other receivables

	Group		Company	
	30/06/2010	31/12/2009	30/06/2010	31/12/2009
Trade receivables	105,153	111,455	103,643	110,132
Trade receivables and other amounts receivable from related parties	2,959	7,653	2,727	7,747
Current portion of mortgage loans	343	341	356	352
Other amounts receivable	1,725	482	1,850	1,016
Less: impairment of doubtful receivables	(23,158)	(21,801)	(23,093)	(21,740)
	87,022	98,130	85,483	97,507

The fair values of trade and other receivables approximate their carrying amounts.

The Group's and the Company's trade receivables not classified as doubtful included as follows:

	Group		Company	
	30/06/2010	31/12/2009	30/06/2010	31/12/2009
Not overdue	73,925	81,551	72,479	80,301
Overdue up to 1 month	716	352	716	352
Overdue from 1 to 2 months	4,913	5,007	4,913	5,007
Carrying amount	79,554	86,910	78,108	85,660

No impairment on other amounts receivable was identified or recognised.

Trade receivables are non-interest bearing and are normally settled with the term of 25 to 35 days.

The Group's and the Company's trade receivables with the nominal value of LTL 20,247 thousand as at 30 June 2010 (31 December 2009: LTL 18,096 thousand) were fully provided for.

6. Cash and cash equivalents

	Group		Company	
	30/06/2010	31/12/2009	30/06/2010	31/12/2009
Term deposits with maturity of up to 3 months	23,640	20,731	23,640	20,726
Cash in bank	3,933	3,229	823	472
Cash in transit	107	114	82	108
	27,680	24,074	24,545	21,306

Cash and cash equivalents (cont'd)

Cash and cash equivalents and bank overdrafts include the following for the purposes of the cash flow statement:

	Group		Company	
	30/06/2010	31/12/2009	30/06/2010	31/12/2009
Cash and cash equivalents	27,679	24,074	24,545	21,306
Bank overdraft (Note 11)	(4,316)	(30,407)	(1,959)	(30,407)
	23,363	(6,333)	22,586	(9,101)

As at 30 June 2010, the average annual weighted interest rate for deposits with maturity of up to three months was 0.69 per cent (31 December 2009: 5.6 per cent).

7. Reserves

Other reserves are formed based on the decision of shareholders and can be redistributed on the distribution of next year's profit. Other reserves were not formed at AB Rytų skirstomieji tinklai as at 30 June 2010.

At the ordinary general shareholders' meeting held on 21 May 2010, the shareholders of Rytų Skirstomieji Tinklai AB resolved to distribute LTL 98,112 thousand as dividends.

8. Deferred income

	Group/Company	
	30/06/2010	31/12/2009
Deferred income from customer connection fees	174,769	192,042
Deferred income from public service obligations (PSO) electricity sales	1,259	1,280
Deferred income from replacement of electricity equipment	7,993	8,129
	184,021	201,451
Restated due to change in accounting policy (Note 3)	-	(13,813)
	184,021	187,638

With effect from 1 January 2010, all income from new customer connection to electricity equipment and from replacement of electricity lines are recognised during the period in which works are performed and a VAT invoice is issued. Accrued income until 1 July 2009 is recognised as income over the average useful life of non-current assets.

Deferred income from customer connection fees

	Ist half		Year to
	2010 06 30	2009 06 30	2009 12 31 (Restated)
Opening balance	184 690	170 582	170 582
Deferred during the half-year/year	-	20 476	34 799
Recognised in the profit and loss account	(3 460)	(3 070)	(6 418)
Closing balance	181 230	187 988	196 963
Restatement due to change in accounting policy (Note 3)	-	-	(14 273)
Closing balance	181 230	187 988	184 690
Non-current portion	174 769	181 535	178 229
Current portion (Note 10)	6 461	6 453	6 462
Total	181 230	187 988	184 690

During the first half of 2010, income from new customer connections fees amounted to LTL 7,081 thousand, LTL 3,460 thousand of which were deferred income accrued until 2010.

9. Trade and other payables

	Group		Company	
	30/06/2010	31/12/2009	30/06/2010	31/12/2009
Trade payables	45,002	62,261	34,224	52,014
Amounts payable to subsidiaries (Note 13)	-	-	11,948	12,644
Amounts payable to entities controlled by the Ministry of Economy (Note 13)	74,246	72,693	74,238	72,692
Total trade payables	119,248	134,954	120,410	137,350
Taxes, other than income tax	4,439	3,733	3,830	2,479
Employment-related liabilities	10,702	7,115	7,601	4,960
Other current liabilities	760	408	744	391
Total other amounts payables	15,901	11,256	12,175	7,830
	135,149	146,210	132,585	145,180

Trade payables

The Group's and the Company's trade payables at 30 June 2010 decreased due to the decrease in amounts payable to suppliers and contractors.

Terms and conditions of the above mentioned financial liabilities:

- Trade payables are non-interest bearing and are normally settled within 60 days or less.
- Other payables are non-interest bearing and have an average settlement term of 6 months.
- Interest payable is normally paid in quarters over the course of the financial year.
- Terms and conditions applicable to amounts payable to related parties are described in Note 13.

10. Advances received and accrued liabilities

	Group		Company	
	30/06/2010	31/12/2009	30/06/2010	31/12/2009
Advances received	16,375	17,525	16,373	17,522
Current portion of deferred income from customer connection fees (Note 8)	6,461	6,461	6,461	6,461
Accruals	2,390	5,315	2,375	5,265
	25,226	29,301	25,209	29,248

Advances received

Advances received mostly comprise advances received for new customer connection. Decrease was caused by a worsening economic situation and lower volumes and prices of construction in Lithuania.

11. Borrowings

	Group		Company	
	30/06/2010	31/12/2009	30/06/2010	31/12/2009
Non-current borrowings				
Bank borrowings	122,788	125,514	122,788	125,514
Current borrowings				
Overdraft	4,316	30,408	1,959	30,408
Bank borrowings	24,510	24,510	24,510	24,510
	28,826	54,918	26,469	54,918
Total borrowings	151,614	180,432	149,257	180,432

Borrowings (cont'd)

All the Group's and the Company's borrowings bear floating interest rates with repricing period up to 6 months. No assets are provided as collateral for borrowings.

The maturity of non-current borrowings is as follows:

	Group		Company	
	30/06/2010	31/12/2009	30/06/2010	31/12/2009
1 to 2 years	35,559	35,559	35,559	35,559
2 to 5 years	68,148	68,148	68,148	68,148
Over 5 years	19,081	21,807	19,081	21,807
	122,788	125,514	122,788	125,514

The average interest rates at the balance sheet date were as follows:

	Group		Company	
	30/06/2010	31/12/2009	30/06/2010	31/12/2009
Overdraft	1.38%	1.65%	1.37%	1.65%
Bank borrowings	1.17%	1.23%	1.17%	1.23%

The carrying amount of non-current and current borrowings bearing floating interest rates approximates their fair value.

12. Income tax

The Group's and the Company's income tax expense for the first half of 2010 and the first half of 2009 comprised the following:

	Group 1 January – 30 June		Company 1 January – 30 June	
	2010	2009	2010	2009
Current year income tax expense	5,990	17,336	5,990	17,273
Deferred income tax (benefit)	(5,492)	(17,725)	(5,671)	(17,748)
	498	(389)	319	(475)

13. Related-party transactions

Parties are deemed to be related when one party has a power to exercise control over the other party or exercise significant influence over its financial and operation decisions.

As at 30 June 2010, UAB Visagino atominė elektrinė was the main shareholder of the Company. UAB Visagino atominė elektrinė is indirectly wholly owned by the Lithuanian Government. In 2009, LEO LT, AB was the main shareholder of the Company.

For the purposes of related party disclosures, the Company's related parties in the first half of 2009 were as follows:

Entities controlled by the Ministry of Economy and the Ministry of Energy of Lithuania;
LEO LT, AB (the main shareholder of the Company) and its subsidiaries;
Subsidiaries of the Company;
E.ON Ruhrgas International AG (Germany).

For the purposes of related party disclosures, the Company's related parties in the first half of 2010 were as follows:

Entities controlled by the Ministry of Economy and the Ministry of Energy of Lithuania;
UAB Visagino atominė elektrinė (the main shareholder of the Company) and its subsidiaries;
Subsidiaries of the Company;
E.ON Ruhrgas International AG (Germany).

For the purpose of related party disclosures, transactions between the Company and the related parties include all transactions.

Related-party transactions (cont'd)

The following related party transactions were conducted:

Sales of goods and services to:	Group 1 January – 30 June		Company 1 January – 30 June	
	2010	2009	2010	2009
Subsidiaries	-	-	1,354	2,725
Entities controlled by the Ministry of Economy and the Ministry of Energy of Lithuania (including UAB Visagino atominė elektrinė and its subsidiaries) (transactions in 2009 represent transactions with LEO LT, AB)	2,457	1,892	2,080	1,624
	2,457	1,892	3,434	4,349

Purchases of goods and services from:	Group 1 January – 30 June		Company 1 January – 30 June	
	2010	2009	2010	2009
Subsidiaries	-	-	30,756	31,538
Entities controlled by the Ministry of Economy and the Ministry of Energy of Lithuania (including UAB Visagino atominė elektrinė and its subsidiaries) (transactions in 2009 represent transactions with LEO LT, AB)	371,302	341,534	371,264	341,530
	371,302	341,534	402,020	373,068

Compensation of key management personnel	Group 1 January – 30 June		Company 1 January – 30 June	
	2010	2009	2010	2009
Salaries and other short-term employee benefits	515	624	515	624

Key management includes 4 members.

Amounts receivable from related parties:	Group		Company	
	30/06/2010	31/12/2009	30/06/2010	31/12/2009
Subsidiaries	-	-	196	179
Entities controlled by the Ministry of Economy and the Ministry of Energy of Lithuania (including UAB Visagino atominė elektrinė and its subsidiaries) (transactions in 2009 represent transactions with LEO LT, AB)	2,959	7,653	2,531	7,568
	2,959	7,653	2,727	7,747

Amounts payables to related parties:	Group		Company	
	30/06/2010	31/12/2009	30/06/2010	31/12/2009
Subsidiaries	-	-	11,948	12,644
Entities controlled by the Ministry of Economy and the Ministry of Energy of Lithuania (including UAB Visagino atominė elektrinė and its subsidiaries) (transactions in 2009 represent transactions with LEO LT, AB)	74,246	72,693	74,238	72,692
	74,246	72,693	86,186	85,336

On 4 June 2010, AB Rytų skirstomieji tinklai and LEO LT, AB concluded an agreement regarding the offsetting of the obligation of RST to pay to LEO LT, AB dividends of LTL 70,000,000 and the obligation of LEO LT, AB to repay to RST a loan of LTL 70,000,000.

14. Contingent liabilities

The bankrupt Alytaus Tekstilė AB has brought an action against the Company seeking damages in the amount of LTL 1.253 million. Currently the case is under investigation by the Lithuanian Supreme Court and the Company cannot predict the outcome of this case

15. Post-balance sheet events

On 29 June 2010 the Company received an offer from UAB Visagino atomine elektrine to acquired the tangible fixed assets, owned by UAB Visagino atomine elektrine. On 15 July 2010, the Company received the valuation report on tangible fixed assets located in Visaginas City, Visaginas Municipality. The market value of assets subject to valuation is LTL 29,515,840 as at 1 July 2010. On 23 July 2010, the extraordinary general meeting of shareholders was convened where it was decided to approve the acquisition of electricity distribution network located in the territory of Visaginas Municipality for the market price determined by the independent property valuer.

ANNEX 5

Interim financial statements of VST, dated 30 June 2010

[*SEE ATTACHED*]

AB VST

Condensed interim financial information for the period ended 30 June 2010 (unaudited)

This interim financial information has been prepared in Lithuanian and in English. In all matters of interpretation of information, views or opinions, the Lithuanian version takes precedence over the English version.

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PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers UAB
J. Jasinskio 16B
LT-01112 Vilnius
Lithuania
Telephone +370 (5) 239 2300
Facsimile +370 (5) 239 2301
E-mail vilnius@lt.pwc.com
www.pwc.com/lt

Our report has been prepared in Lithuanian and in English. In all matters of interpretation of information, views or opinions, the Lithuanian version of our report takes precedence over the English version.

Review report of interim financial information

To the shareholders and Board of Directors of VST AB

Introduction

We have reviewed the accompanying condensed interim statement of financial position of VST AB (hereinafter "the Company") as of 30 June 2010 and the related condensed interim statements of comprehensive income, changes in equity and cash flows for the six – month period then ended, and condensed explanatory notes set out on pages 5 – 16. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with International Financial Reporting Standards as adopted by the European Union applicable to interim financial reporting (International Accounting Standard (IAS) No. 34, "Interim financial reporting"). Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of review

Except as discussed below we conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of interim financial information performed by the independent auditor of the entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion - scope limitation

According to the Company's accounting policy, property, plant and equipment should be carried at revalued amounts (being their fair values as of the date of revaluation less subsequent accumulated depreciation and impairment losses) and are subject to an impairment test when impairment indicators exist. As explained in Note 1.2 to the financial information, the amendments to the legislation may have a significant adverse impact on the fair value and recoverable amount of the Company's assets. The Company's management was not able to reassess fair values of property, plant and equipment with the carrying amounts of LTL 2,321 million as of 30 June 2010 (LTL 2,334 million as of 31 December 2009), or to carry out a proper impairment test. It has not been possible to estimate reliably the financial effects of this non-compliance.

PRICEWATERHOUSECOOPERS

Qualified conclusion

Based on our review, except for the possible effects on the condensed interim financial information of the matter referred to in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with IAS No. 34, "Interim financial reporting".

On behalf of PricewaterhouseCoopers UAB

Christopher C. Butler
Partner

Rimvydas Jogėla
Auditor's Certificate No.000457

Vilnius, Republic of Lithuania
23 August 2010

(All amounts are in LTL '000 unless otherwise stated)

Statement of comprehensive income

	Notes	Six months ended 30 June 2010	2009
Revenue		601 206	595 919
Other operating income		1 792	1 723
		602 998	597 642
Purchase of electricity	1	(441 790)	(355 053)
Depreciation and amortisation		(116 832)	(135 721)
Wages, salaries and social security tax		(36 590)	(37 581)
Repair and maintenance expense		(7 144)	(6 249)
Spare parts and other inventories		(7 146)	(7 765)
Utilities and communications expenses		(2 936)	(3 612)
Revaluation of property, plant and equipment			(32 646)
Impairment and write-off of property, plant and equipment		(3 337)	(1 924)
Other operating expenses		(8 991)	(13 783)
		(624 766)	(594 334)
Operating profit		**(21 768)**	**3 308**
Finance income		1 394	1 999
Finance (costs)		(3 513)	(10 876)
Profit (loss) before income tax		**(23 887)**	**(5 569)**
Income tax	9	3 779	1 102
Profit (loss) for the reporting period		**(20 108)**	**(4 467)**
Other comprehensive (expense)/income:			
Gain (loss) on revaluation of property, plant and equipment	3	-	(170 147)
Income tax relating to components of other comprehensive income	3	-	34 029
Other comprehensive income for the reporting period		-	**(136 118)**
Total comprehensive (expense)/income for the reporting period		**(20 108)**	**(140 585)**
Basic and diluted earnings (deficit) per share (in LTL)		-5,41	-1,20

Financial information presented on pages 5 to 16 were approved by the General Director on 13 August 2010.

Notes presented on pages 9 to 16 are an integral part of this condensed interim financial information.

Finance Director
Ramutė Ribinskienė

(signature)

General Director
Rimantas Vaitkus

(signature)

(All amounts are in LTL '000 unless otherwise stated)

Statement of financial position

	Notes	As at 30 June 2010	At 31 December 2009 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	3	2 320 787	2 410 145
Non-current amounts receivable		14 023	14 022
Intangible assets		74	80
		2 334 884	2 424 247
Current assets			
Inventories		11 551	9 424
Trade and other receivables	5	93 895	124 848
Prepayments, deferred charges and accrued income		12 630	11 347
Term deposits held with banks		80 000	-
Cash and cash equivalents	6	5 003	74 927
		203 079	220 546
Total assets		**2 537 963**	**2 644 793**
EQUITY			
Share capital		111 540	111 540
Revaluation reserve		999 808	1 046 820
Legal reserve		11 154	11 154
Retained earnings		364 072	344 976
Total equity		1 486 574	1 514 490
LIABILITIES			
Non-current liabilities			
Borrowings	7	334 754	386 148
Grants and subsidies		40 576	41 284
Employee benefits		1 185	1 185
Deferred income	8	180 287	184 719
Deferred income tax liabilities		218 710	229 971
		775 512	843 307
Current liabilities			
Borrowings	7	118 793	102 788
Trade payables, other financial liabilities and other amounts payable	10	112 157	136 042
Other amounts payable		7 335	4 596
Advances received, accrued charges and deferred income	11, 8	31 200	37 983
Current income tax liabilities		6 392	5 587
		275 877	286 996
Total liabilities		1 051 389	1 130 303
Total equity and liabilities		2 537 963	2 644 793

Notes presented on pages 9 to 16 are an integral part of this condensed interim financial information.

Finance Director
Ramutė Ribinskienė

(signature)

General Director
Rimantas Vaitkus

(signature)

(All amounts are in LTL '000 unless otherwise stated)

Statement of cash flows

	Notes	Six months ended 30 June 2010	2009
Cash flows from operating activities			
Profit (loss) for the reporting period		(20 108)	(4 467)
Adjustments for non-cash items:			
- Income tax expense	9	(3 779)	(1 102)
- Depreciation and amortisation expense		117 540	136 448
- Depreciation of property, plant and equipment received at no consideration		(708)	(727)
- Recognition of income from the connection of new customers		(4 431)	(4 190)
- Unbilled revenue from electricity sales		(6433)	1 768
- Loss on sale of property, plant and equipment		267	12
- Revaluation, write-offs and impairment (reversal of impairment) of property, plant and equipment, revaluation reserve		3 337	34 570
- Impairment (reversal) of impairment of receivables and prepayments		807	2 301
- Inventories surplus and (reversal) of inventories impairment		255	229
- Accrued wages, salaries and social security expenses and other accruals		1 066	5 087
- Interest (income)		(1 394)	(1 999)
- Interest expenses		3 464	10 868
		89 882	178 798
Changes in working capital:			
- (Increase) decrease in inventories		(2 362)	(801)
- (Increase) decrease in receivables, prepayments and deferred charges		13 504	4 730
- Increase in deferred income		-	12 255
- Increase (decrease) in payables, other financial liabilities, advances received and accrued charges		(39 835)	20
Cash generated from operations		61 190	195 002
Income tax paid		(6 600)	(20 000)
Net cash generated from operating activities		54 590	175 002
Cash flows from investing activities			
(Acquisition) of property, plant and equipment		(15 094)	(39 830)
(Acquisition) of intangible assets		(20)	(5)
Grants received			
Proceeds from sale of property, plant and equipment		736	220
Interest received		1 084	1 642
Bank deposits		(80 000)	-
Loan repayments received		8 000	9
Net cash used in investing activities		(85 293)	(37 964)
Cash flows from financing activities			
Proceeds from borrowings		16 004	9 225
Loans (repaid)		(51 394)	(54 475)
Financial lease payments			
Interest (paid)		(3 490)	(11 279)
Dividends (paid)		(341)	(103)
Net cash used in financing activities		(39 221)	(56 632)
Foreign exchange effect on net balance of cash		-	-
Net (decrease)/increase in cash and cash equivalents		(69 924)	80 406
Cash and cash equivalents at the beginning of period	6	74 927	6 232
Cash and cash equivalents at the end of the period	6	5 003	86 638

Notes presented on pages 9 to 16 are an integral part of this condensed interim financial information.

Finance Director
Ramutė Ribinskienė
(signature)

General Director
Rimantas Vaitkus
(signature)

(All amounts are in LTL '000 unless otherwise stated)

Statement of changes in equity

	Notes	Share capital	Revalua-tion reserve	Legal reserve	Retained earnings	Total
Balance at 1 January 2009		111 540	1 319 030	11 154	179 925	1 621 649
Total comprehensive (expense)/income for the reporting period		-	(136 118)	-	(4 467)	(140 585)
Transfers from revaluation reserve to retained earnings (depreciation and write-offs), gross		-	(96 902)	-	96 902	-
Deferred income tax related to transfers from revaluation reserve to retained earnings (depreciation and write-offs)		-	19 381	-	(19 381)	-
Total		-	(213 639)	-	73 054	**(140 585)**
Balance at 30 June 2009		111 540	1 105 391	11 154	252 979	1 481 064
Balance at 1 January 2010		111 540	1 046 820	11 154	337 449	1 506 963
Effect of change in accounting policy	2.2.	-	-	-	7 527	7 527
Balance at 1 January 2010 (restated)		111 540	1 046 820	11 154	344 976	1 514 490
Total comprehensive (expense)/income for the reporting period		-		-	(20 108)	(20 108)
Transfers from revaluation reserve to retained earnings (depreciation and write-offs), gross		-	(55 310)	-	55 310	-
Deferred income tax related to transfers from revaluation reserve to retained earnings (depreciation and write-offs)		-	8 298	-	(8 298)	-
Total		-	(47 012)	-	26 904	(20 108)
Dividends relating to 2009	4	-	-	-	(7 808)	(7 808)
Balance at 30 June 2010		111 540	999 808	11 154	364 072	1 486 574

Notes presented on pages 9 to 16 are an integral part of this condensed interim financial information.

Finance Director
Ramutė Ribinskienė

(signature)

General Director
Rimantas Vaitkus

(signature)

(All amounts are in LTL '000 unless otherwise stated)

Notes to condensed interim financial information

1 General information

AB VST (hereinafter "the Company") is a public limited liability company registered in the Republic of Lithuania which established following the reorganisation of AB Lietuvos energija and registered on 31 December 2001. The Company has changed the name to AB VST on 26 April 2005 from AB Vakarų skirstomieji tinklai

The shares of the Company are traded on the Baltic Secondary List of the NASDAQ OMX Vilnius Stock Exchange

As at 30 June 2009, the shareholders of the Company were as follows:

Shareholders	Number of shares	(%)
LEO LT, AB	3,651,524	98.21
Other shareholders	66,474	1.79
	3,717,998	100.00

At at 30 June 2010, the shareholders of the Company were as follows:

Shareholders	Number of shares	(%)
UAB VAE *	3,651,534	98.21
Other shareholders	66,464	1.79
	3,717,998	100.00

* UAB Visagino atominė elektrinė (hereinafter "UAB VAE")

During implementation of the energy sector reorganisation plan (which has been approved by the Lithuanian Government) and seeking to implement the provisions of the Third Energy Package of the European Union, on 4 June, LEO LT, AB in liquidation contributed shares of controlled company AB VST and mostly all shares of AB Lietuvos energija held and on 5 June shares of controlled company AB RST to the authorised share capital of UAB Visagino atominė elektrinė. The Government also contributed shares of AB Lietuvos elektrinė. These actions have been approved by the Governmental Commission for the Consistency of Potential Members of Strategic or Significant Importance to National Security with Interests of National Security. Changes in capital structure will enable the shareholder - the State of Lithuania - to continue implementing measures set forth in the energy sector reorganisation plan in an operative and effective manner.

On 4 January 2010, an extraordinary general meeting of shareholders of AB VST was convened where it was decided to reorganise AB Rytų skirstomieji tinklai and AB VST by way of merger. On 4 May 2010, the Ministry of Energy made a public statement announcing that the Government of the Republic of Lithuania approved of the plan on reorganisation of Lithuanian energy companies the implementation of which will result in the formation of four segments of electric power companies namely transmission, generation, distribution and maintenance. During this reorganisation process AB VST and AB Rytų skirstomieji tinklai will be merged to form a new company over which control be retained by the Lithuanian Government.

UAB Visagino atominė elektrinė is a parent company as at 30 June 2010. UAB Visagino atominė elektrinė is wholly-owned by the Lithuanian Government (ultimate controlling party).

The activities of the Company are regulated by the Law on Electricity of the Republic of Lithuania.

The National Control Commission for Prices and Energy (hereinafter "the Commission) regulates the Company's activities by setting price-caps of licensed activity services. On 26 November 2009, a sitting of the the Commission was convened where it was decided to announce prices of electric power and the distribution service for 2010 applicable to AB VST. With effect from 1 January 2010, the price of the electricity increased by an average of 9 ct/kWh (excl. VAT) for residential customers and by an average of 7 ct/kWh (excl. VAT) for industrial and commercial customers. Prices are announced by the Commission in the manner prescribed by the legislative acts.

The increase in expenses related to the purchase of electricity in 2010 was caused by the increase in purchase prices of electricity by 9 ct/kWh following the closedown of the Ignalina Nuclear Power Plant.

In 2009, the following caps on public power tariffs were set:

- for users that receive power from networks with voltage below 110 kV but not lower than 6kV – 28.10 ct/kWh;
- for users that receive power from 0.4 kV voltage networks – 38.33 ct/kWh.

In 2010, the following caps on public power tariffs were set:

- for users that receive power from networks with voltage below 110 kV but not lower than 6kV – 29.27 ct/kWh,
- for users that receive power from 0.4 kV voltage networks – 36.01 ct/kWh.

The average number of the Company's employees was 1,853 on 30 June 2010 (30 June 2009: 1,953).

1.2. Critical accounting estimates

Revaluation and impairment of assets

The Company designates property, plant and equipment at fair value in accordance with International Accounting Standard No.16 'Property, plant and equipment' Fair value of mostly all items of property, plant and equipment due to their specific nature is measured using a depreciated replacement cost approach.

If the value of assets is measured using a depreciated replacement cost method, International Valuation Standards require that an adequate profitability test is performed. Accounting standards require that values of property, plant and equipment are reviewed on a regular basis. When the carrying amount of property, plant and equipment stated in the balance sheet is higher than its value in use or fair value, less selling expenses, the value of property, plant and equipment should be reduced. In other words, the value of property, plant and equipment recorded in the balance sheet should be written down to higher of the two indicators: value of future benefits of assets expected from their use or value of proceeds expected to be received from immediate write-off and disposal of assets.

(All amounts are in LTL '000 unless otherwise stated)

The previous version of the Lithuanian Law on Electricity effective at 31 December 2008 stipulated that the price caps of electricity transmission, distribution and public supply services were determined based on the value of assets used in licensed activities of the service provider which was being established on the grounds of data reported in the service provider's financial statements (regulated base of assets).

According to the amendment effective from 1 June 2009 the Law has been amended and requires the price caps of transmission, distribution and public supply services to be determined based on the value of assets used in licensed activities of the service provider which is being estimated and approved by the National Control Commission for Prices and Energy in accordance with the principles of determination of the value of assets used in licensed activities of the service provider that have been drafted by the Commission and approved by the Government.

According to the Resolution on the Methodology of Determination of the Value of Assets used in Licensed Activities of the Electricity Service Provider, the determination of the price caps of electricity transmission, distribution and public supply services is to include the value of assets used in licensed activities of the service provider which is equal to net book value (carrying amount) of property, plant and equipment as at 31 December 2002 as increased by the amount of investments implemented and agreed with the Commission and reduced by the depreciation amount calculated pursuant to the procedure stipulated by the Lithuanian Law on Income Tax.

The aforementioned amendments to regulatory legislation have a significant negative impact on fair value of property, plant and equipment. Due to the reasons specified, values of property, plant and equipment reported in these financial statements may materially differ from those that would be determined if the valuation of assets were performed by independent valuers as required by International Valuation and Accounting Standards. It is probable that such valuation would have a negative effect on the results of the Group's and the Company' activities and the shareholders' equity reported in the financial statements for the year 2009 and for the first half of 2010.

Valuation of fair values of property, plant and equipment as at 31 December 2009 was not performed by independent valuers, as the mentioned amendments to regulatory legislation came in force only on 1 January 2010 and the impact of these amendments on the Company's ability to earn income in future periods cannot be reliably estimated. Valuation of property, plant and equipment was not performed by independent valuers on 30 June 2010 either.

1.2. Financial risk management – liquidity risk

The Company's current liabilities exceeded its current assets as a longer term of settlements with suppliers and contractors was fixed. In addition, due to changes in the determination of price caps for electricity transmission, distribution and public supply services the Company may face additional liquidity problems in a long term.

Management expects that cash flows for 2010 will be negative, however it believes that the Company will have sufficient funds and will receive funding from banks to cover expenses expected to be incurred in 2010. Nevertheless, in the periods beyond 2010 the Company's liquidity situation may become extremely complicated in case regulations determining price caps for electricity transmission, distribution and public supply services are not amended.

On 19 July 2010, the Company's Board passed a decision regarding the conclusion of the overdraft agreement with Danske Bank A/S Lithuania Branch based on which the Company will receive an overdraft of LTL 34.5 million.

2 Summary of significant accounting policies

2.1. Basis of preparation

These condensed interim financial statements for the six months ended 30 June 2010 have been prepared in accordance with IAS 34, 'Interim financial reporting'. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2009, which have been prepared in accordance with IFRSs as adopted by the EU.

2.2. Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2009.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

New or amended standards and interpretations effective in 2010

IFRIC 18, 'Transfers of assets from customers' (effective prospectively to transfers of assets from customers received on or after 1 July 2009; IFRIC 18 as adopted by the EU is effective for annual periods beginning after 31 October 2009, with early adoption permitted). The interpretation clarifies the accounting for transfers of assets from customers, namely, the circumstances in which the definition of an asset is met; the recognition of the asset and the measurement of its cost on initial recognition; the identification of the separately identifiable services (one or more services in exchange for the transferred asset); the recognition of revenue, and the accounting for transfers of cash from customers

The Company started to apply IFRIC 18 from 1 January 2010. Although the interpretation as adopted by the EU is effective for annual periods beginning after 31 October 2009, IFRIC 18 is applied to assets received from clients starting from 1 July 2009. As a result, the Company made retrospective adjustments to income received from new customer connection fees from 1 July 2009. For the purpose of the balance sheet as at 31 December 2009, this change in accounting policies in 2010 caused a reduction of deferred income by the amount of LTL 8,855 thousand (note 8), an increase of deferred income tax liability by the amount of LTL 1,328 thousand and an increase of retained earnings by the amount of LTL 7,527 thousand.

New or revised standards effective in 2010 but not relevant to the Company

IFRS 3, 'Business combinations' (revised in January 2008) (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009).

IAS 27, 'Consolidated and separate financial statements' (revised in January 2008) (effective for annual periods beginning on or after 1 July 2009).

Eligible hedged items – Amendment to IAS 39, 'Financial instruments: Recognition and measurement' (effective with retrospective application for annual periods beginning on or after 1 July 2009).

Group cash-settled share-based payment transactions – Amendments to IFRS 2, 'Share-based payment' (effective for annual periods beginning on or after 1 January 2010).

Improvements to IFRSs (May 2008 and April 2009). In May 2008 and April 2009 IASB issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. Most of the changes are effective for financial years beginning on or after 1 January 2010, unless stated otherwise.

(All amounts are in LTL '000 unless otherwise stated)

IFRIC 12, 'Service concession arrangements' (effective for financial years beginning on or after 30 March 2009)

IFRIC 15, 'Agreements for the construction of real estate' (effective for annual periods beginning on or after 1 January 2009; IFRIC 15 as adopted by the EU is effective for annual periods beginning after 31 December 2009, with early adoption permitted).

IFRIC 16, 'Hedges of a net investment in a foreign operation' (effective for annual periods beginning on or after 1 October 2008; IFRIC 16 as adopted by the EU is effective for annual periods beginning after 30 June 2009, with early adoption permitted).

IFRIC 17, 'Distribution of non-cash assets to owners' (effective for annual periods beginning on or after 1 July 2009; IFRIC 17 as adopted by the EU is effective for annual periods beginning after 31 October 2009, with early adoption permitted).

IFRS 1, 'First-time adoption of International Financial Reporting Standards' (following an amendment in December 2008, effective for the first IFRS financial statements for a period beginning on or after 1 July 2009; restructured IFRS 1 as adopted by the EU is effective for annual periods beginning after 31 December 2009, with early adoption permitted).

New or revised standards and interpretations that are mandatory for the Company's accounting periods beginning on or after 1 July 2010 or later periods and which the Company has not early adopted

IAS 24, 'Related party disclosures' (amended in November 2009; effective for annual periods beginning on or after 1 January 2011; not yet adopted by the EU). IAS 24 was revised in 2009 by: (a) simplifying the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition and by (b) providing a partial exemption from the disclosure requirements for government-related entities.

IFRS 9, 'Financial instruments' (issued in November 2009; effective for annual periods beginning on or after 1 January 2013, with earlier application permitted; not yet adopted by the EU). IFRS 9 replaces those parts of IAS 39 relating to the classification and measurement of financial assets.

Classification of rights issues – Amendment to IAS 32, 'Financial instruments: Presentation' (effective for annual periods beginning on or after 1 February 2010).

Prepayments of a minimum funding requirement – Amendment to IFRIC 14 (effective for annual periods beginning on or after 1 January 2011; not yet adopted by the EU).

IFRIC 19, 'Extinguishing financial liabilities with equity instruments' (effective for annual periods beginning on or after 1 July 2010; not yet adopted by the EU).

Limited exemptions from comparative IFRS 7 disclosures for first-time adopters – Amendments to IFRS 1 (effective for annual periods beginning on or after 1 July 2010 once adopted by the EU).

Additional exemptions for first-time adopters – Amendments to IFRS 1, 'First-time adoption of IFRS' (effective for annual periods beginning on or after 1 January 2010; not yet adopted by the EU).

Improvements to International Financial Reporting Standards (issued in May 2010; effective dates vary standard by standard, most improvements are effective for annual periods beginning on or after 1 January 2011; the improvements have not yet been adopted by the EU).

(All amounts are in LTL '000 unless otherwise stated)

3 Property, plant and equipment

	Land and buildings	Structures and machinery	Motor vehicles	Other property, plant and equipment	Construction in progress	Total
Six months ended 30 June 2009						
Net book amount at 1 January 2009	384 743	2 352 400	30 685	43 059	37 397	2 848 284
Additions	-	536	1 871	697	36 726	39 830
Disposals	(29)	-	-		(201)	(230)
Write-offs	(100)	(2 021)	(5)	(7)	-	(2 133)
Revaluation	(34 843)	(165 363)	-	(2 587)	-	(202 793)
Changes in impairment	-	-	-	-	79	79
Reclassifications between groups	(288)	39 760	-	1 677	(41 149)	-
Depreciation charge	(8 234)	(119 552)	(3 909)	(4 707)	-	(136 402)
Net book amount at 30 June 2009	341 249	2 105 760	28 642	38 132	32 852	2 546 635
Six months ended 30 June 2010						
Net book amount at 1 January 2010	301 430	1 999 715	36 891	37 518	34 591	2 410 145
Additions	50	476	7	6 660	25 325	32 518
Disposals	(405)	(126)	(446)	(26)	-	(1 003)
Write-offs	(27)	(3 090)	(29)	(54)	(137)	(3 337)
Revaluation	-	-	-	-	-	-
Changes in impairment	-	-	-	-	-	-
Reclassifications between groups	2 192	34 302	-	(5837)	(30 678)	(21)
Depreciation charge	(6 970)	(103 074)	(4 084)	(3 387)	-	(117 515)
Net book amount at 30 June 2010	296 270	1 928 203	32 339	34 874	29 101	2 320 787

Revaluation of property, plant and equipment

On 30 June 2009 the Company's property, plant and equipment (except for construction in progress and vehicles) was revalued. Valuations were made on the basis of index of construction price. The decreases in carrying amounts arising on the revaluation of property, plant and equipment are as follows:

	Land and buildings	Structures and machinery	Motor vehicles	Other property, plant and equipment	Construction in progress	Total
Decrease in carrying amount	(34 843)	(165 363)	-	(2 587)	-	(202 793)

For the purpose of revaluation of buildings and engineering structures impairment rates of 9.32 per cent and 7.39 per cent, respectively, were applied.

Decrease in the carrying amount arising on the revaluation amounting to LTL 202,793 thousand was recognised as a reduction of LTL 170,147 thousand charged to the revaluation reserve of previous valuations, and as an impairment expenses of LTL 32,646 thousand charged to the profit and loss account. The revaluation decrease, net of applicable deferred income tax effect, is accounted for in the revaluation reserve in equity and amounts to LTL 136,118 thousand.

Revaluation of the Company's property, plant and equipment was not performed on 30 June 2010

4 Dividends

During the shareholder meeting held on 30 April 2010 it was decided to pay dividends relating to 2009 of LTL 7,808 thousand or LTL 2.10 per ordinary registered share. Dividends paid relating to the current year for the period ended 30 June 2010 amounted to LTL 87 thousand. Dividends of LTL 7,668 thousand for the main shareholder LEO LT, AB were offset against the loan to be repaid This set-off was recorded in the statement of cash flows.

5 Trade and other receivables

	Six months ended 30 June 2010	At 31 December 2009
Trade receivables	95 667	108 334
Other amounts receivable	19 358	36 837
Trade and other receivables, gross	115 025	145 171
Impairment allowance for trade receivables	(20 399)	(19 677)
Impairment allowance for other receivables	(731)	(646)
	(21 130)	(20 323)
	93 895	124 848

Trade receivables are non-interest bearing and are normally settled on 30 - 90 days' terms

(All amounts are in LTL '000 unless otherwise stated)

5 Trade and other receivables (continued)

Movements in the allowance for impairment of receivables were as follows:

Balance at 1 January 2009	23 102
Charge for the half-year	2 324
Balance at 30 June 2009	25 426
Balance at 1 January 2010	20 323
Charge for the half-year	807
Balance at 30 June 2010	21 130

The ageing analysis of trade and other receivables as at 30 June 2010, 31 December 2009, 30 June 2009 is as follows:

Trade receivables	Not overdue	Overdue less than 30 days	Overdue 30 - 60 days	Overdue 60 - 90 days	Overdue 90 - 120 days	Overdue for more than 120 days	Total
at 30 June 2010	67 083	5 504	1 435	865	689	20 091	95 667
at 31 December 2009	79 649	6 357	1 285	916	651	19 476	108 334

6 Cash and cash equivalents

	Six months ended 30 June 2010	At 31 December 2009
Cash at bank and in hand	3 318	1 696
Short-term bank deposits	1 685	73 231
	5 003	74 927

On 30 June 2010, the overnight short-term deposit of LTL 1,685 thousand bearing interest rate of 0.10 per cent was withdrawn from the Company's account in the bank Swedbank.

Short-term deposits amounted to LTL 73,231 thousand as at 31 December 2009. The effective annual interest rate was set as 3.59 per cent.

7 Borrowings

	Six months ended 30 June 2010	At 31 December 2009
Non-current borrowings		
Bank borrowings	334 754	386 148
	334 754	386 148
Current borrowings		
Current portion of non-current bank borrowings	102 789	102 788
Overdraft	16 004	-
	118 793	102 788
Total borrowings	453 547	488 936

Loans are denominated in EUR.
The interest rate on borrowings varies depending on EURIBOR interest rate fluctuations plus 0.45 per cent margin.

(All amounts are in LTL '000 unless otherwise stated)

7 Borrowings (continued)

The Company uses an overdraft granted by AB SEB bankas. The outstanding balance of the overdraft received from AB SEB bankas amounted to LTL 16,004 thousand as at 30 June 2010, and has to be repaid until 31 July 2010 (the interest rate of the overdraft varies depending on VILIBOR interest rate fluctuations plus 0.55 per cent margin). After the balance sheet date outstanding balance of this overdraft was fully repaid The weighted average of interest rate is 1.32 per cent.

The maturity of non-current borrowings (except for financial lease liabilities) was as follows:

	Six months ended 30 June 2010	At 31 December 2009
Within one year	118 793	102 788
Within 2 to 5 years	334 754	386 148
After 5 years	-	-
	453 547	488 936

In 2009 and 2010, the Company did not meet all the terms of the loan agreements concerning cash inflows into bank accounts. However, the Company has received written confirmations from all banks on the fulfilment of obligations at as 31 December 2009 and 30 June 2010. Based on that non-current borrowings are portions thereof were reclassified to current.

8 Deferred income

Deferred income relates to contributions received from new customers until 31 December 2009 for the assets installed.
Information about the income from connection fees deferred is presented below:

	Note	Six months ended 30 June 2010	Six months ended 30 June 2009	At 31 December 2009 (restated)
Opening balance		193 289	188 901	188 901
New customers fees received during the period		-	12 838	21 758
Recognised as income in the statement of comprehensive income for the period		(4 432)	(4 190)	(8 515)
Closing balance		188 857	197 549	202 144
Effect of change in accounting policy		-	-	(8 855)
Closing balance (restated)		188 857	197 549	193 289
Current portion of new customer connection income		(8 570)	(8 739)	(8 570)
		180 287	188 810	184 719

With effect from 1 January 2010, all income from new customer connection to electricity equipment and from replacement of electricity lines are recognised during the period in which works are performed and a VAT invoice is issued (note 2.2.). Accrued income until 1 July 2009 is recognised as income over an average useful life of non-current assets.

9 Income tax

	Six months ended 30 June 2010	Six months ended 30 June 2009
Current year income tax expense	7 405	25 299
Deferred income tax (benefit)	(11 184)	(26 401)
Income tax expenses (income) charged to the statement of comprehensive income	(3779)	(1102)

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year

(All amounts are in LTL '000 unless otherwise stated)

10 Trade payables, other financial liabilities and other amounts payable

	Six months ended 30 June 2010	At 31 December 2009
Trade payables	104 429	128 252
Dividends payable	7 700	7 758
Other	28	32
Total trade and other financial liabilities	112 157	136 042
Wages, salaries and social security payable	4 550	1 836
Taxes, other than income tax	2 785	2 760
Total other amounts payable	7 335	4 596
	119 492	140 638

Terms and conditions of the above mentioned financial liabilities:

- Trade payables are non-interest bearing and are normally settled on 15 - 60 days' terms. The same terms apply for sales to related parties.

- Other payables are non-interest bearing and have an average term of 1 - 2 months

11 Advances received, accrued charges and deferred income

		Six months ended 30 June 2010	At 31 December 2009 (restated)
Accrued charges	(a)	5 697	6 763
Advances for new customer connections		13 462	12 125
Current portion of new customer connection income (Note 8)		8 570	8 570
Advances received for electricity		841	6 433
Other advances		2 630	4 092
		31 200	37 983

(a) Accrued charges mainly include accrued employment-related liabilities (vacation accrual and social security contributions) that amount to LTL 5,387 thousand as at 30 June 2010 (31 December 2009: LTL 6,324 thousand).

12 Related-party transactions

Transactions with Company's management

During the six-month period ended 30 June 2010, total remuneration of the Company's management (4 managers) amounted to LTL 455 thousand (during the six-month period ended 30 June 2009: LTL 674 thousand (5 managers)). The management of the Company did not receive any loans, guarantees no other payments or property transfers were made or accrued.

Transactions with other related parties

(I) Sales of services (excl. VAT):

	January - June 2010	January - June 2009
AB Lietuvos energija	498	11 197
UAB Gotlitas	28	21
Kaunas HE	2	-
AB LEO LT	201	-
Lietuvos elektrinė	144	-
Public Institution Centre of Training for Energy Specialists	3	-
Kaunas Territorial Statistics Board	-	4
Klaipėda Territorial Statistics Board	-	1
UAB Litgrid	4 741	
UAB Kauno energetikos remontas	154	142
	5 771	11 365

(All amounts are in LTL '000 unless otherwise stated)

12 Related-party transactions (continued)

(II) Purchase of goods and services (excl. VAT):

	January - June 2010	January - June 2009
AB Lietuvos energija - electricity	141 068	272 271
Ignalina Nuclear Power Plant - electricity		58 892
LEO LT, AB - consulting services	102	512
UAB Elektros tinklo paslaugos - works		193
Kaunas Territorial Statistics Board - services		181
Klaipėda Territorial Statistics Board - services		152
UAB Kauno energetikos remontas - works		156
Public Institution Centre of Training for Energy Specialists - services	33	49
UAB Energetikos pajėgos	74	
AB Lietuvos elektrinė	102 915	
UAB Litgrid	164 221	
Šiauliai Territorial Statistics Board - services		1
	408 413	332 407

(III) Amounts payable and advances received:

	Six months ended 30 June 2010	Year ended 31 December 2009
AB Lietuvos energija	28 229	57 621
Ignalina Nuclear Power Plant		10 165
LEO LT, AB	100	362
AB Lietuvos elektrinė	13 113	-
Public Institution Centre of Training for Energy Specialists	3	20
AB Lietuvos elektrinė		1730
UAB Energetikos pajėgos		36
UAB Litgrid	28 816	
	70 261	69 934

(IV) Amounts receivables:

	Six months ended 30 June 2010	Year ended 31 December 2009
AB LEO LT	15 337	31 000
UAB VAE		
UAB Litgrid	670	
AB Lietuvos energija	172	3 014
UAB Kauno energetikos remontas	22	30
UAB Gotlitas	6	
	16 207	34 044

There have been no guarantees provided or received for any related party receivables or payables. For the six months ended 30 June 2010 the Company has not made any provision for doubtful debts relating to amounts owned by related parties as all the assets are not overdue.

13 Events after the balance sheet date

On 1 July 2010, the Company's Board considered draft reorganisation terms of AB Rytų skirstomieji tinklai ir AB VST.

According to Order No 4-450 of 3 December 2003 of the Minister of Economy, as amended by Order No 4-72 of 15 February 2005, the Company has been granted with the right to buy out from individuals and companies electricity distribution equipment jointly used by them and the Company. The Company's Board passed a decision to allocate LTL 1.5 million for the buy-out of such equipment.

By the proposal dated 28 June 2010 Visagino Atominė Elektrinė UAB informed the Company that on 19 June 2010 the Board of Visagino Atominė Elektrinė UAB approved the sale of assets owned by Visagino Atominė Elektrinė UAB and possessed and used by the Lithuanian Ministry of Energy by the right of trust and proposed that the Company acquire the mentioned assets for a market price not lower than that determined by independent property valuers. The Company's Board passed a decision to acquire these assets for a consideration not exceeding LTL 1.1 million.

After the balance sheet date the Company concluded and overdraft agreement f for the amount of LTL 34,5 million with Danske bank A/S Lithuanian Branch. At the date of approval of this condensed interim finansial information the outstanding balance of the overdraft was zero.

ANNEX 6

The table on calculation of the average weighted market price of shares of RST over the last 6 months (calculating as of 13 August 2010)

RST		
Period: 14-02-2010 – 13-08-2010		
Currency: LTL		
Trading place: Vilnius		
Date	**Number of shares**	**Turnover**
2010-02-15	0,00	0,00
2010-02-16	0,00	0,00
2010-02-17	6.199,00	14.088,31
2010-02-18	21.896,00	49.096,74
2010-02-19	25.027,00	55.331,32
2010-02-22	59.842,00	133.166,60
2010-02-23	87.509,00	194.036,15
2010-02-24	59.284,00	129.963,76
2010-02-25	42.206,00	90.646,58
2010-02-26	50.207,00	107.913,85
2010-03-01	15.470,00	33.105,28
2010-03-02	12.936,00	27.958,70
2010-03-03	15.907,00	34.287,12
2010-03-04	27.040,00	58.097,63
2010-03-05	53.450,00	114.516,60
2010-03-08	53.071,00	114.854,25
2010-03-09	64.026,00	137.496,93
2010-03-10	15.408,00	33.326,34
2010-03-11	0,00	0,00
2010-03-12	0,00	0,00
2010-03-15	19.729,00	43.681,06
2010-03-16	25.379,00	57.507,49
2010-03-17	38.544,00	90.491,18
2010-03-18	31.345,00	71.075,02
2010-03-19	9.264,00	20.898,24
2010-03-22	21.053,00	46.641,12
2010-03-23	28.024,00	61.275,84
2010-03-24	106.025,00	230.099,47
2010-03-25	42.465,00	91.356,01
2010-03-26	3.441,00	7.538,82
2010-03-29	7.123,00	15.499,88
2010-03-30	16.178,00	34.741,92
2010-03-31	36.268,00	78.326,34
2010-04-01	25.876,00	57.996,25
2010-04-06	18.934,00	42.881,76

	2010-04-07	15.758,00	35.369,60
	2010-04-08	36.755,00	82.835,65
	2010-04-09	28.020,00	64.419,73
	2010-04-12	18.699,00	42.824,78
	2010-04-13	16.560,00	38.231,50
	2010-04-14	82.607,00	194.724,98
	2010-04-15	25.304,00	59.839,53
	2010-04-16	6.317,00	14.865,43
	2010-04-19	23.742,00	56.069,89
	2010-04-20	14.408,00	34.186,01
	2010-04-21	145.480,00	326.833,39
	2010-04-22	23.198,00	51.834,97
	2010-04-23	3.150,00	7.103,69
	2010-04-26	6.535,00	14.670,25
	2010-04-27	22.270,00	49.308,94
	2010-04-28	18.712,00	40.955,31
	2010-04-29	19.098,00	41.480,26
	2010-04-30	15.842,00	35.184,71
	2010-05-03	4.802,00	10.787,60
	2010-05-04	0,00	0,00
	2010-05-05	14.186,00	30.828,20
	2010-05-06	21.070,00	45.132,19
	2010-05-07	47.219,00	97.768,95
	2010-05-10	56.115,00	119.187,05
	2010-05-11	5.935,00	12.691,60
	2010-05-12	32.876,00	69.774,12
	2010-05-14	11.174,00	23.536,86
	2010-05-17	6.920,00	14.403,12
	2010-05-18	22.728,00	48.027,64
	2010-05-19	19.475,00	40.335,85
	2010-05-20	16.097,00	33.192,68
	2010-05-21	58.712,00	124.738,12
	2010-05-24	42.937,00	91.013,12
	2010-05-25	28.095,00	58.756,35
	2010-05-26	51.014,00	106.251,86
	2010-05-27	56.936,00	119.500,51
	2010-05-28	31.211,00	67.054,35
	2010-05-31	44.670,00	96.882,02
	2010-06-01	52.701,00	113.631,37
	2010-06-02	75.112,00	152.366,93
	2010-06-03	44.779,00	91.195,07
	2010-06-04	57.740,00	115.488,20
	2010-06-07	21.910,00	44.156,40
	2010-06-08	7.659,00	15.207,45
	2010-06-09	40.398,00	81.553,96

	2010-06-10	21.110,00	42.550,00
	2010-06-11	12.234,00	24.557,58
	2010-06-14	43.289,00	87.824,85
	2010-06-15	52.540,00	107.255,80
	2010-06-16	11.098,00	22.774,78
	2010-06-17	17.304,00	35.436,34
	2010-06-18	10.563,00	21.642,09
	2010-06-21	2.712,00	5.586,33
	2010-06-22	35.828,00	71.951,38
	2010-06-23	2.195,00	4.452,80
	2010-06-25	0,00	0,00
	2010-06-28	7.279,00	14.586,37
	2010-06-29	13.627,00	27.131,16
	2010-06-30	22.098,00	43.271,54
	2010-07-01	3.460,00	6.782,40
	2010-07-02	7.686,00	15.332,32
	2010-07-05	0,00	0,00
	2010-07-06	0,00	0,00
	2010-07-07	12.126,00	24.136,49
	2010-07-08	10.480,00	20.842,20
	2010-07-09	2.937,00	5.840,13
	2010-07-12	20.319,00	40.648,42
	2010-07-13	7.468,00	14.911,20
	2010-07-14	6.133,00	12.259,00
	2010-07-15	4.982,00	9.949,00
	2010-07-16	12.388,00	24.591,56
	2010-07-19	20.819,00	41.256,08
	2010-07-20	2.012,00	3.997,85
	2010-07-21	14.350,00	28.340,50
	2010-07-22	17.098,00	33.437,33
	2010-07-23	17.317,00	34.251,01
	2010-07-26	13.550,00	26.901,30
	2010-07-27	4.810,00	9.539,24
	2010-07-28	9.816,00	19.409,53
	2010-07-29	4.860,00	9.564,80
	2010-07-30	15.150,00	29.620,00
	2010-08-02	44.764,00	88.394,60
	2010-08-03	12.561,00	24.816,96
	2010-08-04	10.408,00	20.607,84
	2010-08-05	20.308,00	40.039,11
	2010-08-06	13.354,00	26.206,43
	2010-08-09	9.235,00	18.175,25
	2010-08-10	1.167,00	2.288,43
	2010-08-11	4.118,00	8.120,00
	2010-08-12	4.352,00	8.534,51

2010-08-13	4.847,00	9.499,87
Amount for the last six calendar months (14-02-2010 – 13-08-2010)	3.018.804,00	6.459.411,13
Price per share	2,14	
Number of RST shares	492.404.653,00	
Value	**1.053.745.957,42**	

ANNEX 7

The table on calculation of the average weighted market price of shares of VST over the last 6 months (calculating as of 13 August 2010)

VST		
Period: 14-02-2010 – 13-08-2010		
Currency: LTL		
Trading place: Vilnius		
Date	**Number of shares**	**Turnover**
2010-02-15	0,00	0,00
2010-02-16	0,00	0,00
2010-02-17	0,00	0,00
2010-02-18	0,00	0,00
2010-02-19	13,00	3.515,00
2010-02-22	0,00	0,00
2010-02-23	0,00	0,00
2010-02-24	35,00	9.450,00
2010-02-25	0,00	0,00
2010-02-26	0,00	0,00
2010-03-01	11,00	3.073,00
2010-03-02	10,00	2.700,00
2010-03-03	0,00	0,00
2010-03-04	3,00	822,00
2010-03-05	0,00	0,00
2010-03-08	0,00	0,00
2010-03-09	2,00	544,00
2010-03-10	0,00	0,00
2010-03-11	0,00	0,00
2010-03-12	0,00	0,00
2010-03-15	10,00	2.726,00
2010-03-16	23,00	6.256,00
2010-03-17	20,00	5.420,00
2010-03-18	5,00	1.360,00
2010-03-19	0,00	0,00
2010-03-22	0,00	0,00
2010-03-23	0,00	0,00
2010-03-24	0,00	0,00
2010-03-25	0,00	0,00
2010-03-26	0,00	0,00
2010-03-29	2,00	540,00
2010-03-30	5,00	1.285,00
2010-03-31	0,00	0,00
2010-04-01	0,00	0,00
2010-04-06	0,00	0,00
2010-04-07	4,00	1.088,00
2010-04-08	0,00	0,00
2010-04-09	0,00	0,00

	2010-04-12	1,00	257,00
	2010-04-13	0,00	0,00
	2010-04-14	4,00	1.108,00
	2010-04-15	0,00	0,00
	2010-04-16	3,00	828,00
	2010-04-19	0,00	0,00
	2010-04-20	3,00	781,50
	2010-04-21	3,00	831,00
	2010-04-22	0,00	0,00
	2010-04-23	0,00	0,00
	2010-04-26	0,00	0,00
	2010-04-27	13,00	3.328,06
	2010-04-28	0,00	0,00
	2010-04-29	2,00	494,00
	2010-04-30	0,00	0,00
	2010-05-03	0,00	0,00
	2010-05-04	10,00	2.490,00
	2010-05-05	3,00	825,00
	2010-05-06	1,00	248,00
	2010-05-07	20,00	4.960,00
	2010-05-10	4,00	1.040,00
	2010-05-11	6,00	1.590,00
	2010-05-12	0,00	0,00
	2010-05-14	3,00	741,00
	2010-05-17	10,00	2.468,00
	2010-05-18	0,00	0,00
	2010-05-19	0,00	0,00
	2010-05-20	39,00	9.510,00
	2010-05-21	19,00	4.590,00
	2010-05-24	0,00	0,00
	2010-05-25	0,00	0,00
	2010-05-26	0,00	0,00
	2010-05-27	0,00	0,00
	2010-05-28	0,00	0,00
	2010-05-31	0,00	0,00
	2010-06-01	14,00	3.220,00
	2010-06-02	0,00	0,00
	2010-06-03	0,00	0,00
	2010-06-04	8,00	1.902,00
	2010-06-07	8,00	1.872,00
	2010-06-08	21,00	4.851,00
	2010-06-09	25,00	5.726,00
	2010-06-10	0,00	0,00
	2010-06-11	76,00	16.723,00
	2010-06-14	0,00	0,00
	2010-06-15	17,00	3.740,00
	2010-06-16	0,00	0,00
	2010-06-17	0,00	0,00

2010-06-18	0,00	0,00
2010-06-21	11,00	2.420,00
2010-06-22	17,00	3.620,00
2010-06-23	71,00	15.067,00
2010-06-25	0,00	0,00
2010-06-28	0,00	0,00
2010-06-29	0,00	0,00
2010-06-30	56,00	11.242,00
2010-07-01	20,00	4.076,80
2010-07-02	0,00	0,00
2010-07-05	0,00	0,00
2010-07-06	0,00	0,00
2010-07-07	102,00	20.962,65
2010-07-08	29,00	6.738,05
2010-07-09	34,00	8.160,00
2010-07-12	0,00	0,00
2010-07-13	0,00	0,00
2010-07-14	0,00	0,00
2010-07-15	0,00	0,00
2010-07-16	0,00	0,00
2010-07-19	0,00	0,00
2010-07-20	0,00	0,00
2010-07-21	2,00	480,00
2010-07-22	3,00	651,00
2010-07-23	0,00	0,00
2010-07-26	20,00	4.403,00
2010-07-27	20,00	4.400,00
2010-07-28	20,00	4.400,00
2010-07-29	0,00	0,00
2010-07-30	0,00	0,00
2010-08-02	0,00	0,00
2010-08-03	0,00	0,00
2010-08-04	0,00	0,00
2010-08-05	4,00	936,00
2010-08-06	0,00	0,00
2010-08-09	2,00	470,00
2010-08-10	0,00	0,00
2010-08-11	0,00	0,00
2010-08-12	0,00	0,00
2010-08-13	4,00	940,00
Amount for the last six calendar months (14-02-2010 – 13-08-2010)	871,00	201.869,06
Price per share	231,77	
Number of VST shares	3.717.998,00	
Value	**861.720.396,46**	

ANNEX 8

Table of comparison of some performance indices of RST and VST

Comparison of some indices of the Companies	RST	VST	Difference	Difference, %
Income in 2009, thousand litas	1,163,245	1,129,572	33,673	3.0%
Quantity of electricity distributed in 2009, million kWh	3,990	3,741	249	6.7%
Income over the period of six months which ended on 30 June 2010, thousand litas	652,871	601,206	51,665	8.6%
Quantity of electricity distributed over the period of six months which ended on 30 June 2010, million kWh	1.951	1.866	85	4,6%
Accounts receivable and other receivables in net value as of 30 June 2010, thousand litas	87,022	93,895	-6,873	-7.3%
Number of consumers as of 30 June 2010, thousand units.	772	700	72	10,3%
Length of power networks, km	62,800	58,044	4,756	8.2%
Area of serviced territory, km2	34,800	30,662	4,138	13,5%

ANNEX 9

Approval from the Register of Legal Entities of the Republic of Lithuania regarding the performance of assessment of the Reorganization Terms by the audit company common for both Companies

[*SEE ATTACHED*]

STATE ENTERPRISE CENTRE OF REGISTERS

State enterprise, V. Kudirkos g. 18, LT-03105 Vilnius-9, tel. (8 5) 268 8202, fax. (8 5) 268 8311, e-mail info@registrucentras.lt
Data collected and kept with the Register of Legal Entities, code 124110246

Att.: R. Borkis
Acting managing director
of the public company "VST"
J. Jasinskio g. 16C, LT-01112 Vilnius

06-08-2010 No. (11.9.)s-3357
Ref. 05-08-2010 No. application

RE: CONSENT TO APPOINTMENT OF COMMON EXPERT

The state enterprise Centre of Registers has examined the application of the companies "Rytų skirstomieji tinklai" (code 110870890) and "VST" (code 110870748) for giving consent to the appointment of a common expert for assessment of their reorganization terms. All the information and documents required for adoption of a positive decision have been submitted.

Conforming to paragraph 2 of Article 2.100 of the Civil Code of the Republic of Lithuania and paragraph 2 of Article 63 of the Law on Companies of the Republic of Lithuania, we consent to the appointment of a common expert – audit company UAB "Rimess" (code 300056169) and auditor Alma Ziziliauskienė (auditor's certificate No. 000333) – for assessment of the reorganization terms of the public company "Rytų skirstomieji tinklai" (code 110870890) and "VST" (code 110870748).

Deputy Director
For the Register of Legal Entities and Marketing /signature/ Antanas Survila

Neringa Vitkauskienė, (8 5) 2658415, e-mail. Neringa.Vitkauskiene@registrucentras.lt

ANNEX 10

Draft articles of association of LESTO

[*SEE ATTACHED*]

AB LESTO

ARTICLES OF ASSOCIATION

I. General part

1. The name of the company is AB LESTO (the "Company").

2. The Company is an independent private legal entity with limited civil liability organised and existing under the laws of the Republic of Lithuania for an indefinite period of time. The authorised capital of the Company is divided into parts referred to as shares.

3. In its activities the Company shall adhere to the laws, other legal acts and these Articles of Association. The Company's Articles of Association constitute the principal and supreme document of the Company.

4. The legal form of the Company – public company.

5. The Company shall have its corporate seal.

6. The financial year of the Company shall be the calendar year.

7. The Company shall acquire the rights, assume and fulfil obligations through its bodies. The General Meeting of Shareholders, the Board and the Head of the Company – Managing Director constitute the bodies of the Company.

II. Goals and objectives of the Company's activities

8. The goals of the Companies activities include: effective performance of the functions of operator of distribution networks, ensuring the safety and reliability of distribution networks, their operation, maintenance, management and development, also supply of electricity to consumers via distribution networks, and the compliance with other needs of consumers. The Company shall be entitled to engage in the activities which do not contravene the goals of the Company's activities and the laws of the Republic of Lithuania.

9. The Company's bodies and their members shall act to the benefit of the Company and all shareholders of the Company. The managing bodies of the Company shall seek to attain the goals of the Company's activities abiding by laws, other legal acts, these Articles of Association and internal documents of the Company.

III. Authorised capital and shares

10. The authorised capital of the Company comprises LTL 603,944,593 (six hundred and three million nine hundred forty four thousand five hundred ninety three litas). The authorised capital of the Company is divided into 603,944,593 (six hundred and three million nine hundred forty four thousand five hundred ninety three) ordinary registered shares of LTL 1 (one litas) nominal value each.

11. The Company issues the shares of one class: ordinary registered shares. All the shares of the Company are non-certificated. They are recorded in the personal securities accounts of the shareholders.

IV. Shareholders and shareholders' rights

12. The shareholders of the Company shall have property and non-property rights defined in the laws, other legal acts and the present Articles of Association.

13. The managing bodies of the Company shall provide adequate conditions for exercise of the rights of the Company's shareholders.

V. General Meeting of Shareholders of the Company

14. The General Meeting of Shareholders shall be the supreme body of the Company.

15. The competence of the General Meeting of Shareholders and the procedure for convening the meeting and adopting decisions shall be governed by the laws, other legal acts and the present Articles of Association.

16. Additional competence of the General Meeting of Shareholders shall include:
    16.1. adoption of decisions regarding agreements with the Company's Board members and chairman of the Board in respect of their activity on the Board, as stipulated in Article 37 of these Articles of Association, if such agreements are concluded by resolution of the General Meeting of Shareholders, determination of standard provisions of such agreements, and designation of the person authorised to sign such agreements on behalf of the Company ;
    16.2. adoption of decisions on approval or disapproval of the annual report of the Company.

VI. Board of the Company

17. The Board shall be a collegiate managing body of the Company.

18. The competence of the Board, the procedure for adoption of decisions and election and recall of members shall be governed by the laws, other legal acts and the present Articles of Association.

19. The Board shall be accountable to the General Meeting of Shareholders.

20. The Board shall consider and approve the strategy of the Company's activities, its budget, as well as the organisational structure of the Company and employee positions.

21. In decision-making, the Board, abiding by the provisions of the laws, other legal acts and these Articles of Association, shall take into account the business guidelines and rules, annual financial plans, the annual rate of return on assets and the maximum amount of liabilities approved by the parent company, as well as other performance indicators of the Company approved by the parent company. Nothing in this Article shall restrict the right of the Board to take independent decisions within its competence or release members of the Board from the responsibility for the decisions taken.

22. The Board shall take decisions on granting the Company the status of the founder of or participant in legal entities, as well as on the transfer to other persons or on the encumbrance of any shares (stakes or interests) owned by the Company or of the rights conferred by such shares.

23. The Board may set forth the business guidelines and rules, annual financial plans, the annual rate of return on assets and the maximum amount of liabilities for the subsidiaries, as well as other performance indicators for the subsidiaries.

24. The Board shall take decisions on the establishment and winding up of any branches or representative offices of the Company, as well as on the approval and amendment of their regulations. The Board shall appoint and recall the heads of the branches and representative offices of the Company.

25. The Board shall take decisions to issue debentures (except for convertible debentures).

26. The Board shall consider and take decisions regarding the calculation of caps on electricity distribution prices submitted by the Managing Director, as well as public supply services and public electricity prices if the Company is engaged also in the activity of the public supply of electricity. The Board shall take decisions on specific electricity distribution prices and tariffs, as well as on public supply services and public electricity prices and tariffs if the Company is engaged in the activity of the public supply of electricity, and on approval of the procedure for the application thereof.

27. The Board shall also take decisions regarding conclusion of the following transactions (unless these transactions are concluded in accordance with the approved financial plan of the Company or the transactions meeting these criteria are stipulated in the Company's operating budget):
    27.1. investment, transfer or lease of long-term assets the book value whereof exceeds LTL 10,000,000 (ten million litas) (estimated for each type of transaction);
    27.2. pledge or mortgage of the Company's long-term assets the book value whereof exceeds LTL 10,000,000 (ten million litas) (estimated for each type of transaction);
    27.3. guaranteeing or warranting the fulfilment of other persons' obligations which exceed LTL 10,000,000 (ten million litas);
    27.4. acquisition of long-term assets for the price exceeding LTL 10,000,000 (ten million litas), except for cases when the Company acquires such assets due to the connection of power equipment of users, producers or other persons to the power network of the Company, or due to reconstruction (relocation) of power equipment of the Company at the request of third parties.

28. The Board shall also resolve the issues (including conclusion of transactions) in respect of which the Board is addressed by the Managing Director.

29. The Board shall consist of 5 (five) members.

30. The Board shall be elected for the term of 4 (four) years. The term of the Board shall commence upon termination of the General Meeting of Shareholders that elected the Board and shall expire on the date of the ordinary General Meeting of Shareholders to be held in the last year of the term of the Board.

31. If the Board is recalled, resigns or ceases the performance of its duties due to any other reasons prior to the end of the term, a new Board shall be elected for the remaining term of the Board that ceased the performance of its duties. If single members of the Board are to be elected, they shall be elected only for the remaining term of the functioning Board.

32. While nominating candidates for the Board, the nominating shareholder of the Company (proxy thereof) shall be bound to provide the General Meeting of Shareholders with written explanations as to the qualification, management experience and suitability of each candidate for the Board to take the position of the member of the Board of the Company.

33. Each candidate for the Board shall submit to the General Meeting of Shareholders his/her written consent to run for the Board and a declaration of the candidate's interests, specifying all the circumstances that may give rise to the conflict of interests between the candidate and the Company. Upon emergence of new circumstances that may give rise to the conflict of interests between the member of the Board and the Company, the member of the Board shall promptly notify the Company and the Board of such new circumstances in writing.

34. Members of the Board may perform other functions or take other positions, including but not limited to managerial positions in other legal entities, civil or statutory service, positions in the Company, the Company's parent company and other legal entities in which the Company is a participant or to which the Company is the parent company), only upon prior notice to the Board.

35. All members of the Board shall have equal rights and obligations, except for cases set forth in the laws and other legal acts.

36. The Board shall elect the chairman of the Board out of its members.

37. Contracts for activities in the Board, the conditions of which are determined by the General Meeting of Shareholders, may be concluded with the members and the chairman of the Board prior to their assumption of duties. In case of election or appointment of a member or the chairman of the Board of the Company for the position of the Managing Director or the head of a division in the Company, an employment contract shall be concluded with such person in respect of this these functions.

38. In its activities the Board shall adhere to the laws, other legal acts, the present Articles of Association, resolutions of the General Meeting of Shareholders and the work regulations of the Board.

39. The Board shall adopt its decisions at the meetings of the Board. If needed, meetings of the Board may be held using the means of electronic communication (e.g. by teleconference, etc.), provided that the security of the delivered information is ensured and the identity of the voting person can be established. Meetings of the Board shall be recorded in the minutes. The minutes of the meeting of the Board shall be signed by the chairman and the secretary of the meeting not later than within 7 (seven) calendar days after the meeting.

40. Meetings of the Board shall be held at least once a quarter. The work regulations of the Board shall define the day and the time each quarter (save for exceptions set forth in the work regulations of the Board) when meetings of the Board shall be held. The work regulations of the Board may also define the regularity of other meetings of the Board. In any case each member of the Board and the Managing Director shall have the right of initiative to convene a Board meeting.

41. Meetings of the Board shall be convened and presided over by the chairman of the

Board. In case of absence of the chairman of the Board or inability to perform his/her duties, meetings of the Board shall be convened and presided over by the oldest member of the Board.

42. The Board of the Company may adopt decisions and its meeting shall be deemed held when at least 4 (four) members of the Board are present at the meeting.

43. Members of the Board shall be obliged to attend the Board meetings and vote "for" or "against" each matter under consideration. A member of the Board shall be entitled to authorise, in simple written form, another Board member to represent him/her when voting at the Company's Board meeting. A member of the Board may not refuse voting or abstain from voting, unless otherwise prescribed by laws. Voting at a meeting of the Board shall be by open ballot. The minutes of a meeting of the Board shall reflect the will of each member of the Board who was present at the meeting of the Board with respect to each matter.

44. Members of the Board who in single cases are unable to directly participate in a meeting of the Board shall give their written votes in advance or vote via means of electronic communication, provided that the security of the delivered information is ensured and the identity of the voting person can be established. Members of the Board who gave their written votes in advance or voted via means of electronic communication shall be deemed to have attended the meeting of the Board.

45. The Company shall ensure adequate work conditions in the Board for the Board and the members of the Board, as well as provide technical and organisational means necessary for the work. The Managing Director shall appoint the secretary of the Board, an employee of the Company who will service the meetings of the Board.

VII. Managing Director

46. The Managing Director is a one-person managing body of the Company. The Managing Director shall organise the Company's activities, manage the Company, act on behalf of the Company and unilaterally conclude transactions.

47. The competence of the Managing Director and the procedure for election and recall thereof shall be governed by the laws, other legal acts and the present Articles of Association.

48. When taking decisions and concluding transactions, the Managing Director, abiding by the provisions of the laws, other legal acts and these Articles of Association, shall take into account the business guidelines and rules, annual financial plans, the annual rate of return on assets and the maximum amount of liabilities approved by the parent company, as well as other performance indicators of the Company approved by the parent company. Nothing in this Article shall restrict the right of the Managing Director to take independent decisions within his competence or release the Managing Director from the responsibility for the decisions taken and transactions concluded.

49. The Managing Director shall issue and recall procurations.

50. If according to the laws or the present Articles of Association the decision and/or approval of another body of the Company is required for conclusion of transactions of the Company or adoption of other decisions, the Managing Director may conclude

transactions of the Company or adopt other decisions solely upon adoption of such decision by a respective body of the Company and/or receipt of approval from a respective body of the Company.

51. The Board shall elect and recall the Managing Director to/from his/her position, fix his/her remuneration, other conditions of the employment contract, approve his/her office regulations, provide incentives to and punish the Managing Director. The Managing Director shall be accountable to the Board.

52. Any candidate for the position of the Managing Director shall submit to the Board his/her written consent to run for the position of the Managing Director and a declaration of the candidate's interests, specifying all the circumstances that may give rise to the conflict of interests between the candidate and the Company. Upon emergence of new circumstances that may give rise to the conflict of interests between the Managing Director and the Company, the Managing Director shall promptly notify the Board of such new circumstances in writing.

53. The Managing Director may not perform any other functions or take any other position, including but not limited to the position in the Company, the Company's parent company and other legal entities in which the Company or parent company is a participant, without prior consent of the Board, except for pedagogical, creative and author's activities that do not require the said consent.

VIII. Organisation of activities of the Company, audit and corporate finance

54. The organisational structure of and the positions in the Company shall be adequate to the target activities of the Company.

55. Activities of the Company shall be subject to planning and budgeting.

56. The parent company of the Company shall have the right to approve the Company's business guidelines and rules, the annual financial plan, the annual rate of return on assets and the maximum amount of liabilities, as well as other performance indicators of the Company consistent with the existing laws, which the Company must comply with.

57. Financial accounts of the Company shall be drawn up pursuant to the International Financial Reporting Standards.

IX. Notification procedure

58. The Company shall provide information about material events to the news agency BNS. If the Company has no opportunity to provide information about material events to the news agency BNS, such information shall be provided to the news agency ELTA or to the electronic publication issued by the Registrar of Legal Entities for announcement of public notices under procedure prescribed by the Government of the Republic of Lithuania.

59. Notices of the Company, which under the laws, other legal acts an/or these Articles of Association have to be announced publicly, shall be announced in the electronic publication issued by the Registrar of Legal Entities for announcement of public notices under procedure prescribed by the Government of the Republic of Lithuania. The Company may also announce notices additionally by other means.

X. Procedure for submission of documents and other information to shareholders and members of the Board

60. Upon written request of a shareholder, the Company shall, not later than within 7 (seven) calendar days after the date of receipt of such request, enable the shareholder's access to and/or provide the shareholder with copies of the following documents: the Articles of Association of the Company, annual financial accounts, annual reports of the Company, auditor's opinions and audit reports, minutes of the General Meetings of Shareholders or other documents reflecting the resolutions of the General Meetings of Shareholders, proposals or answers of the Board to the General Meetings of Shareholders, shareholders' lists, lists of the members of the Board, other documents of the Company which, according to the laws, are to be publicly accessible, minutes of the meetings of the Board or other documents which reflect the decisions of the said bodies of the Company, unless such documents contain a commercial (trade) secret or confidential information.

61. Any shareholder or a group of shareholders that owns or controls more than 1/2 (one half) of the shares and that has submitted a written undertaking not to disclose any commercial (trade) secret or confidential information, as well as any member of the Board, shall have the right to access all documents of the Company and its subsidiaries and all information of the Company and its subsidiaries (including information on draft decisions of the managing bodies of the Company that have not been adopted yet and information on intended transactions and investments) that on the request of the receiving party must be organised in a systematic manner according to the reasonable criteria specified by such party. If the Company does not have the documents or information of the subsidiaries of the Company that are requested by the persons specified herein, the managing bodies of the Company shall take immediate actions for the Company to obtain such documents and information, exercising the rights conferred by the shares that the Company holds in the subsidiaries. Information and documents provided under Article 61 of the Articles of Association shall be provided without delay, but not later than within 5 (five) working days from the date of receipt of an appropriate request. Entities specified in Article 61 of the Articles of Association shall have the right to request and the Company shall have the obligation to ensure that specific information and documents are provided periodically without an individual request from the respective entity.

62. All information and documents defined in Articles 60 and 61 hereof shall be provided to the shareholders and to the members of the Board free of charge.

63. The Board shall determine which information is confidential and/or deemed a commercial (trade) secret of the Company.

XI. Final provisions

64. The Articles of Association of the Company shall be amended under the procedure set forth in the Law on Companies of the Republic of Lithuania by the resolution of the General Meeting of Shareholders adopted by the majority of at least 2/3 of votes conferred by all shares of the shareholders present in the General Meeting of Shareholders.

65. Upon adoption of the resolution by the General Meeting of Shareholders to amend the Articles of Association, the complete text of the amended Articles of Association shall

be written down and signed by the person authorised by the General Meeting of Shareholders.

66. These Articles of Association are signed on [____] [__] 2010.

67. The Articles of Association shall come into force as from the moment of their registration with the Register of Legal Entities.

Person authorised by the General Meeting of Shareholders:

____

[ ]

[ ]