

REPORT ON ASSESSMENT OF
AB INVALIDA
SPLIT-OFF TERMS

AB Invalda
Šeimyniškių g. 1A
Vilnius

12 February 2013

Dear Sirs,

We have performed an assessment of AB Invalda split-off terms (prepared in Lithuanian language) and prepared an assessment report (Annex No. 1). The assessment was carried out in accordance with Paragraphs 2 and 3 of Article 63 of the Law on Companies of the Republic of Lithuania and the requirements of the Civil Code, and it is limited to the application of the laws of the Republic of Lithuania.

Respectively, the scope of our assessment of AB Invalda split-off terms included only an assessment whether the share exchange ratio is fair and justified and the methods used to determine the share exchange ratio and their impact on the determination on the value of the shares are appropriate, and has not included any assessment of other aspects of the split-off.

In the assessment of split-off terms, we relied on the documents and information presented to us by the representatives of AB Invalda. No enquiries were made with any third persons for additional information.

The assessment of the split-off terms was carried out based on an assumption that all the documents presented to us and the data contained therein are correct and reflect the existing situation, that all the signatures and stamps are true, the copies of the documents correspond to the originals, the documents were not altered or amended after they were submitted for our assessment. We did not verify whether all the information presented to us was fair and exhaustive, except for the cases described in the report. Our assessment does not include any other documents of AB Invalda except for the ones listed in Annex No. 2, but is limited to the information and documents that were presented to us for the assessment purposes. Also, we do not assume any obligations to update the assessment report for any changes that occur after the issue date of the report.

The scope of our work is much less than an audit or review performed in order to express an opinion regarding financial and other information of AB Invalda in accordance with the International Standards on Auditing or other applicable professional standards. Had an audit or review been performed, our assessment would have been subject to different objectives, and other conclusions, comments or recommendations might have been provided.

UAB ERNST & YOUNG BALTIC
Audit company's licence No. 001335



Inga Gudinaite
Auditor's licence
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Annex No. 1

ASSESSMENT REPORT

I. General comments

AB Invalda, the legal form of which is a public limited liability company with the registered office at Šeimyniškių g. 1A, Vilnius, Republic of Lithuania, code 121304349, data on the legal entity stored at the Register of Legal Entities of the Republic of Lithuania administered by the state enterprise Centre of Registers, Vilnius branch (hereinafter, Invalda),

continues its operations; whereas a part of it is split-off in accordance with Paragraph 1 of Article 71 of the Law on Companies of the Republic of Lithuania, and a new company AB Invalda privatus kapitalas, of the same legal form is formed on the basis of the assets, rights and obligations attributed to the split-off part. In accordance with Paragraph 2 of Article 71 of the Law on Companies of the Republic of Lithuania, the provisions of the Civil Code of the Republic of Lithuania and the Law on Companies of the Republic of Lithuania regulating reorganisation by division shall apply *mutatis mutandis* to the split-off.

AB Invalda privatus kapitalas, legal form of the legal entity – public limited liability company, registered office at Šeimyniškių g. 1A, Vilnius, Republic of Lithuania, data on the legal entity will be stored at the Register of Legal Entities of the Republic of Lithuania administered by the state enterprise Centre of Registers, Vilnius branch (hereinafter, AB Invalda privatus kapitalas).

After the split-off AB Invalda will continue its operations under a new name – AB Invalda LT.

II. Comments regarding split-off terms:

1) Contents of the split-off terms

The split-off terms were prepared in accordance with the requirements of Article 63 of the Law on Companies of the Republic of Lithuania. The split-off terms discuss and define all the reorganization aspects provided for by the law.

2) Change in the nominal value of shares

In accordance with Section 5 of the split-off terms, the nominal value of shares is not changed at split-off. The nominal value of the shares of AB Invalda LT and AB Invalda privatus kapitalas continuing after the split-off will be LTL 1 (one litas).

3) Transfer of assets, rights and obligations

In accordance with Section 9 of the split-off terms, AB Invalda privatus kapitalas formed at the split-off will take over AB Invalda assets, rights and obligations provided for in the split-off terms. The split off part of AB Invalda assets, rights and obligations will be transferred to AB Invalda privatus kapitalas in accordance with the terms and procedures provided for in the split-off terms based on a statement or statements of transfer and acceptance. AB Invalda, the name of which will be changed to AB „Invalda LT“ after the split-off, retains the assets, equity and liabilities that are not included in the statements of transfer and acceptance.

4) Special rights granted to members of the bodies of the company participating in the split-off and the company formed in the split-off and to the experts carrying out an assessment of the terms of the split-off

In accordance with Section 12 of the split-off terms, after completion of the split-off, the structure of AB Invalda LT bodies remains unchanged; it consists of the general meeting of shareholders, the board and the head of administration (president). AB Invalda privatus

kapitalas will have the following bodies formed: the general meeting of shareholders, the board (3 elected members), and the head of administration (director).

During the split-off the boards and heads of AB Invalda and AB Invalda privatus kapitalas as well as the experts carrying out the assessment of the split-off terms enjoy all the rights granted to them by the laws of the Republic of Lithuania, the signed agreements and the by-laws of the company.

The experts carrying out the assessment of the split-off terms (auditors) have the right to receive all the required information and documents from AB Invalda for the preparation of the assessment report of the split-off terms.

Until the completion of the split-off, the general meeting of shareholders of AB Invalda will recall the board *in corpore* and will elect new board members for a term of four years. The latter will appoint the new head of AB Invalda in the first board meeting.

The meeting of AB Invalda privatus kapitalas will appoint the company's board members for a term of four years. The board will start its activities from the date of registration of AB Invalda privatus kapitalas by-laws, except for the decision regarding appointment of the head of administration of AB Invalda privatus kapitalas, which will be adopted after the end of AB Invalda privatus kapitalas meeting.

The shareholders of AB Invalda LT and AB Invalda privatus kapitalas will enjoy all the property and non-property rights set forth in the by-laws of the respective company and in the applicable legal acts.

In accordance with Paragraph 5.12 of the split-off terms, the shareholders holding shares with the nominal value lower than 1/10 of AB Invalda authorised capital have the right to seek buyout of their shares in accordance with the procedure set forth in AB Invalda split-off terms.

III. Conclusions regarding the fairness and validity of the share exchange ratio

As at the date of the preparation of split-off terms, the authorised capital of AB Invalda is 51,802,146 litas divided into 51,802,146 ordinary registered shares with nominal value of 1 litas each.

In accordance with the split-off terms, provided that until the general meeting of shareholders that will elect the bodies of AB Invalda LT operating after the split-off, AB Invalda will not have acquired own shares, the authorised capital of AB Invalda LT continuing operations after the split-off will be 28,259,185 litas consisting of 28,259,185 ordinary registered shares with the nominal value of 1 litas each, and the authorised capital of the split-off AB Invalda privatus kapitalas will be 23,542,961 litas consisting of 23,542,961 ordinary registered shares with the nominal value of 1 litas each.

If AB Invalda acquires own shares, such shares will be annulled during split-off, and the share capital of AB Invalda will be distributed between AB Invalda LT and AB Invalda privatus kapitalas by applying the same authorised capital and share distribution ratio – 54.552151% and 45.447849% respectively.

The fairness of the share exchange ratio depends on the proper establishment of the fair value of the exchanged shares.

As analyzed in greater detail in Section IV below, for the purpose of the assessment of the share exchange ratio, the shares were valued based on the carrying amounts of the split-off AB Invalda privatus kapitalas and remaining AB Invalda LT assets, liabilities and equity as at 30 September 2012, but with respect to the possible difference in their carrying amounts from the respective market values as estimated by the management.

In accordance with the split-off terms, for each annulled AB Invalda share one share of the split-off company AB Invalda privatus kapitalas will be awarded, and the shares will be distributed so that each shareholder gets such a number of AB Invalda privatus kapitalas shares that the total number of his received AB Invalda privatus kapitalas and the remaining AB Invalda (AB Invalda LT) shares equals the number of AB Invalda shares held prior to the exchange.

As specified in Section 5 of the split-off terms, the shares will be distributed based on the following principles:

- The first group of shareholders (according to Annex 7 to the split-off terms) that prior to the split-off held 41,036,389 (i.e. 79.217546% of authorised capital) AB Invalda shares in total, after the split-off will hold 18,650,156 (i.e. 79.217546% of authorised capital) of AB Invalda privatus kapitalas shares and 22,386,233 (i.e. 79.217546 % of authorised capital) of AB Invalda LT shares in total. The shares allocated to this group of shareholders will be distributed to each shareholder not in proportion to their shares in AB Invalda authorised capital as specified in Annex 7 to the split-off terms.
- The second group of shareholders (according to Annex 7 to the split-off terms) that prior to the split-off held 10,765,757 (i.e. 20.782454% of authorised capital) of AB Invalda shares in total, after the split-off will hold 4,892,805 (i.e. 20.782454% of authorised capital) of AB Invalda privatus kapitalas shares and 5,872,952 (i.e. 20.782454% of authorised capital) of AB Invalda LT shares. The shares allocated to this group of shareholders will be distributed to each shareholder in proportion to their shares in AB Invalda authorised capital.

The rounding rules set forth in the split-off terms seem to be appropriate in the given situation.

If the shares are distributed in accordance with the procedure specified in the split-off terms, taking into account the assumptions presented in Section IV below, it may be stated that when shares of AB Invalda LT and AB Invalda privatus kapitalas are distributed to the shareholders according to the principles of the split-off terms, each shareholder retains the share in the total AB Invalda assets, equity and obligations held prior to the split-off.

With regard to the above, we may state that in substance the share exchange ratio is fair and justified.

IV. Methods used to establish the share exchange ratio and conclusions on the appropriateness for of these methods for and their impact on the determination of the value of the shares

In accordance with the split-off terms, the carrying amount of the part of assets, equity and liabilities attributable to one AB Invalda share equals the sum of the carrying amounts of the respective assets, equity and liabilities attributable to one share of the split-off AB Invalda privatus kapitalas and AB Invalda LT, continuing its operations; and the shares of AB Invalda privatus kapitalas and AB Invalda LT at split-off are distributed to the shareholders of the first group not in proportion, and to the shareholders of the second group – in proportion to their share in AB Invalda authorised capital as described in greater detail in Section III above.

The share exchange ratio could be best based on the fair (market) price. Establishment of a fair market price requires a comprehensive analysis and in the general case, taking into account the particular circumstances, the share prices could be established by business valuers. In accordance with the provisions of the Law on Companies, AB Invalda management bodies prepared the split-off terms outlining the assumptions and reasoning based on which the share exchange ratio was established. Our analysis is presented below.

AB Invalda privatus kapitalas is a new company formed on the basis of assets, liabilities and equity split-off from AB Invalda, and its shares are not traded on Vilnius or any other stock exchange.

Establishment of the correct (fair) price requires a more complex analysis; however, due to the split-off specifics where the main assets and liabilities transferred to the split-off company and remaining with AB Invalda LT are:

- a) Investments into subsidiaries, associates and joint ventures;
- b) Granted non-current and current loans and other amounts receivable within one year;
- c) Investments held for sale;
- d) Deferred income tax asset;
- e) Financial assets carried at fair value through profit and loss;
- f) Cash,
- g) Non-current and current loans received; and
- h) Current payables and other current liabilities

and no material unrecognised assets or liabilities were identified, no material adjustments to the fair value should be required for the carrying amounts of the assets and liabilities, except for the investments into subsidiaries, associates and joint ventures.

When preparing the split-off terms, the management of AB Invalda assessed and took into account the potential difference between the market value and the carrying amount of these assets and:

- divided investments into subsidiaries, associates and joint ventures and loans granted to these companies between AB Invalda LT and AB Invalda privatus kapitalas in proportion to the split-off authorised capital;
- divided investments into subsidiaries, associates and joint ventures, the shares of which are not traded on the stock exchange and the main activity of which is lease of agricultural land or management of such companies, between AB Invalda LT and AB Invalda privatus kapitalas according to their carrying amounts not in proportion, but so that there is no material difference in the total fair value of these investments allocated to each company as estimated by the management taking into account the independent appraisals of the assets (land) as at 30 September 2012 performed by independent real estate valuers;
- divided all the remaining investments into subsidiaries, associates and joint ventures, the shares of which are not traded on the stock exchange and the difference between the carrying amount and fair value of which is not material based on the fair value assessments performed by the management using the discounted cash flow method, to AB Invalda LT and AB Invalda privatus kapitalas based on the carrying amount of these investments not in proportion to the split-off authorized capital.

Therefore, in our view for the purpose of the establishment of share exchange ratio, the data of the AB Invalda financial statements could be relied upon for the measurement of assets and liabilities as reported in the financial statements of AB Invalda for the period ended 30 September 2012, except for the investments into subsidiaries, associates and joint ventures.

Moreover, taking into consideration that the assets, the carrying amount of which might differ materially from the fair value (investments into subsidiaries, associates and joint ventures, and loans granted thereto), were distributed to AB Invalda LT and AB Invalda privatus kapitalas in proportion to the attributed authorised capital, or not in proportion, but taking into consideration the fair value measured by the management as described above, it may be stated that at the distribution of the shares of AB Invalda LT and AB Invalda privatus kapitalas to the shareholders according to the principles provided for in the split-off terms and described above in Section III, each shareholder retains the share of ownership of UAB Invalda assets, equity and liabilities held prior to the split-off:

- each shareholder of the first group retains the share of ownership of UAB Invalda assets held prior to the split-off, the fair value of which, by the measurement of the management, may differ materially from the carrying amount, and of the total carrying amount of the remaining assets, equity and liabilities;
- each shareholder of the second group will have the same proportion of AB Invalda privatus kapitalas and AB Invalda LT shares as in AB Invalda prior to split-off and will retain the same share of the total UAB Invalda assets, equity and liabilities held prior to the split-off.

Based on the above analysis, it may be stated that in substance the share exchange ratio set in the split-off terms is acceptable in the context of this split-off.

V. Description of the difficulties encountered during the assessment

The main difficulties encountered during the assessment:

- Since for the purpose of establishing the share value of AB Invalda privatus kapitalas and the investments into subsidiaries, associates and joint ventures, the shares of which are not traded on the stock exchange, divided between AB Invalda privatus kapitalas and AB Invalda LT in the split-off as mentioned in Section IV, it was not possible to rely on the market value of the shares, therefore a more complex analysis was required and other available information (reports of independent asset valuers provided by the management or confirmations from AB Invalda management regarding fair values) was relied upon. Also, the financial statements of the subsidiaries, associates and joint ventures of AB Invalda for the period ended 30 September 2012 which were relied upon when assessing the potential difference of the carrying value of the investments into these subsidiaries, associates and joint ventures and their fair value, were not audited.
- The financial statements of AB Invalda for the period ended 30 September 2012 were not audited or otherwise reviewed by auditors.

There were no other difficulties encountered during the assessment.

Annex No. 2

LIST OF DOCUMENTS USED IN THE ASSESSMENT

1. Split-off terms;
2. Tables of the calculation of share exchange ratio (dividing assets, equity and liabilities);
3. Financial statements of AB Invalda for the period ended 30 September 2012;
4. Decision of the general meeting of shareholders of AB Invalda on the approval of preparation of split-off terms;
5. Statement of AB Invalda management regarding fair value.