



Lietuvos bankas  
Žirmūnų street 151,  
LT-09128 Vilnius

30-05-2014 Nr. 30200

## CONFIRMATION OF RESPONSIBLE PERSONS

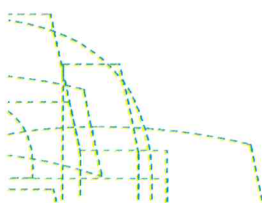
Following Article 22 of the Law on Securities of the Republic of Lithuania and the Rules on Preparation and Submission of Periodic and Additional Information of the Bank of Lithuania, we, Aidas Ignatavičius, Chief Executive Officer of LESTO AB, and, Zina Chmieliauskienė, Director of Accounting Department, deputy of Finance and Administration Head of LESTO AB, hereby do confirm that, to the best of our knowledge, LESTO AB and consolidated interim consolidated unaudited financial statements of the three months of the year 2014 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and give a true and fair view of the assets, liabilities, financial position, profit or loss and cash flow of LESTO AB and its consolidated enterprises.

Chief Executive Officer

Aidas Ignatavičius

Director of Accounting  
Department, deputy of  
Finance and Administration  
Head

Zina Chmieliauskienė





AB LESTO group  
Interim report  
for the three months of 2014

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30 May 2014

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## GENERAL INFORMATION

### Reporting period covered by the report

Report covers January to March of 2014.

### Key data on issuer

<b>Company name</b>	AB LESTO
<b>Company code</b>	302577612
<b>Authorised capital</b>	LTL 603 944 593
<b>Registered address</b>	Žvejų str. 14, LT-09310 Vilnius
<b>Telephone</b>	+370 5 277 7524
<b>Fax</b>	+370 5 277 7514
<b>E-mail</b>	info@lesto.lt
<b>Website</b>	www.lesto.lt
<b>Legal- organisational form</b>	Joint-stock company
<b>Date and place of registration</b>	27 December 2011, Register of Legal Entities of the Republic of Lithuania
<b>Register in which data on the company is collected and stored</b>	Register of Legal Entities
<b>Register manager</b>	State Enterprise Centre of Registers

### Information availability

This report and other documents based on which it has been prepared are available at the company's office at Žvejų str. 14, Vilnius, Corporate Communication department (office No.418) from 7.30 to 16.30 Monday to Thursday and from 7.30 to 15.15 on Fridays. Report is available on company's website ([www.lesto.lt](http://www.lesto.lt)) and on Stock exchange market NASDAQ OMX Vilnius website (<http://www.nasdaqomxbaltic.com>).

Public announcements that AB LESTO must announce according to the valid Laws of the Republic of Lithuania, are published via Register of Legal Entities electronic edition for public announcements. Company also publishes announcements via company's website ([www.lesto.lt](http://www.lesto.lt)) and Stock exchange market NASDAQ OMX Vilnius website ([www.nasdaqomxbaltic.com](http://www.nasdaqomxbaltic.com)).

### Persons responsible for the information provided in the report

Office	Name, surname	Telephone
Chief Executive Officer	Aidas Ignatavičius	+370 5 277 7524
Director of Finance and Administration division	Andrius Bendikas	+370 5 277 7524
Director of Finance department	Artūras Paipolas	+370 5 277 7524
Director of Accounting department	Zina Chmieliauskienė	+370 5 277 7524

Report is prepared in accordance with Law on Securities of the Republic of Lithuania, decision of the Board of the Bank of Lithuania No. 03-48 (28 February, 2013) on Rules of Drawing up and the Submission of the Periodic and Additional Information, and other valid laws and legal acts.

### Report signature date

Report was prepared and signed on 30 May, 2014.

## LESTO activities

AB LESTO (hereinafter – LESTO, Company) was established on the basis of reorganized Lithuanian electricity distribution companies Rytų skirstomieji tinklai AB and “VST” AB that were merged and on 31 December, 2010, finished their activity as legal entities. LESTO took over assets, rights and obligations of merged companies and since 1 January, 2011 started its activity as electricity distributor and public supplier.

LESTO is Lithuanian distribution network operator. Company’s main responsibilities include: provision of network service for customers; satisfaction of customers needs; effective connection of new users; exploitation, maintenance, management and expansion of distributive network; assurance of network security; optimization of operating costs and reduction of technological losses. LESTO geographical market is Lithuania.

## LESTO values

**COOPERATION:** We work and take responsibility as a team.

**RESPECT:** We respect each individual and the surrounding environment.

**DEDICATION:** We are proud to represent energy sector and serve our community.

**POSITIVE ATTITUDE:** We are always looking ahead and constantly spread good mood.

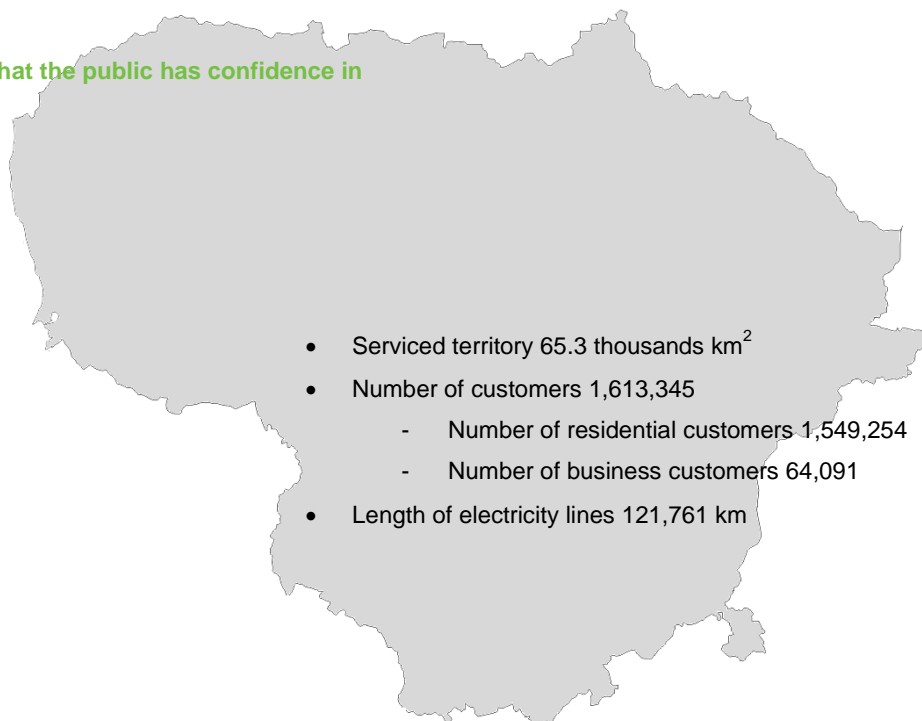
**INNOVATIVENESS:** We are seeking perfection and initiating changes.

## LESTO mission

**Reliable electricity for a meaningful life of everyone**

## LESTO vision

**A model company that the public has confidence in**



## LESTO company group

On the report signature date, LESTO with its subsidiaries ELEKTROS TINKLO PASLAUGOS UAB, NT Valdოს UAB and associated company Technologijų ir inovacijų centras UAB, make up LESTO company group (hereinafter – LESTO group).



### Key data on subsidiaries and associated companies

	<b>Elektros tinklo paslaugos UAB</b>	<b>NT Valdოს UAB</b>	<b>Duomenų logistikos centras UAB</b>	<b>Technologijų ir inovacijų centras UAB</b>
Address	Motorų str. 2, Vilnius	Geologų str. 16, Vilnius	A.Juozapavičiaus str. 13, Vilnius	A.Juozapavičiaus str. 13, Vilnius
Registration date	8 December 2004	18 January 2007	9 July 2010	4 December 2013
Company code	300072351	300634954	302527488	303200016
Telephone	+370 5 210 6809	+370 5 210 6539	+370 5 278 2272	+370 5 278 2272
Fax	+370 5 216 7875	+370 5 210 6543	+370 5 278 2299	+370 5 278 2299
E-mail	<a href="mailto:etp@etpa.lt">etp@etpa.lt</a>	<a href="mailto:info@valdos.eu">info@valdos.eu</a>	<a href="mailto:info@etic.lt">info@etic.lt</a>	<a href="mailto:info@etic.lt">info@etic.lt</a>
Website	<a href="http://www.elektrostinklopaslaugos.lt">www.elektrostinklopaslaugos.lt</a>	<a href="http://www.valdos.eu">www.valdos.eu</a>	<a href="http://www.etic.lt">www.etic.lt</a>	<a href="http://www.etic.lt">www.etic.lt</a>
LESTO ownership, %, on 1 January, 2014	100	57.30	24.94	20
LESTO ownership, %, on 31 March, 2014	100	57.30	-	20
Profile of activities	Power network engineering, construction, repair, maintenance and customer connection to the grid services.	Real estate and transport rental and administration services.	Data transfer and data centre rental services.	IT services and maintenance for the companies operating in the sector of electric energy.

\* Following the decision of the Board of LESTO AB, LESTO AB and "Lietuvos energija", UAB, concluded a Share purchase – sale Agreement on 31 March 2014. Under the Share purchase – sale Agreement, LESTO AB transferred shares of Duomenų logistikos centras UAB owned by LESTO AB and equal to 24,94 percent of authorised capital of Duomenų logistikos centras UAB to "Lietuvos energija", UAB.

## LESTO management

On the report signature date according to the Articles of Association LESTO management bodies include the General Meeting of Shareholders, a collegiate supervisory body – Supervisory Board, a collegiate managing body – Board, and one-person managing body – Chief Executive Officer.

### General Meeting of Shareholders

General Meeting of Shareholders is a supreme body of the Company.

The competence of the General Meeting of Shareholders and the procedure for convening the meeting and adopting decisions are governed by the law, other legal acts and Articles of Association.

During the reporting period shareholders of the Company had equal rights (property and non-property) defined in the law, other legal acts and Articles of Association. None of the LESTO shareholders had any special rights of control.

The managing bodies of the Company provided adequate conditions for exercise of the rights of the Company's shareholders during the reporting period.

### Supervisory Board

LESTO Supervisory Board is a collegiate supervisory body.

The competence of the Supervisory Board, the procedure for adoption of decisions, election and recall of members are governed by the law, other legal acts and Articles of Association. LESTO Supervisory Board consists of three members who are elected by the General Meeting of Shareholders for the term of four years. At least one-third of LESTO Supervisory Board composes of independent members. The Supervisory Board members elect the chairman of the Supervisory Board out of its members.

There were no changes in the composition of the Supervisory Board in 2014. On the report signature date the Supervisory Board consists of the chairman of the Supervisory Board Darius Kašauskas and the Supervisory Board members Ilona Daugėlaitė and Petras Povilas Čėsna (independent Supervisory Board member).

Ending of term of the Supervisory Board is 31 July, 2017.

### Board

LESTO Board is a collegiate managing body of the Company.

The competence of the Board, the procedure for adoption of decisions, election and recall of members are governed by the law, other legal acts and Articles of Association. The Board consists of five Board members that are elected by the General Meeting of Shareholders for the term of four years. The Board members elect the chairman of the Board out of its members.

There were no changes in the composition of the Board in 2014. On the report signature date the Board of the Company consists of the chairman of the Board Aidas Ignatavičius and the Board members: Virgilijus Žukauskas, Andrius Bendikas, Sergejus Ignatjevas and Dalia Andrulionienė.

Ending of term of the Board is 17 September, 2017.

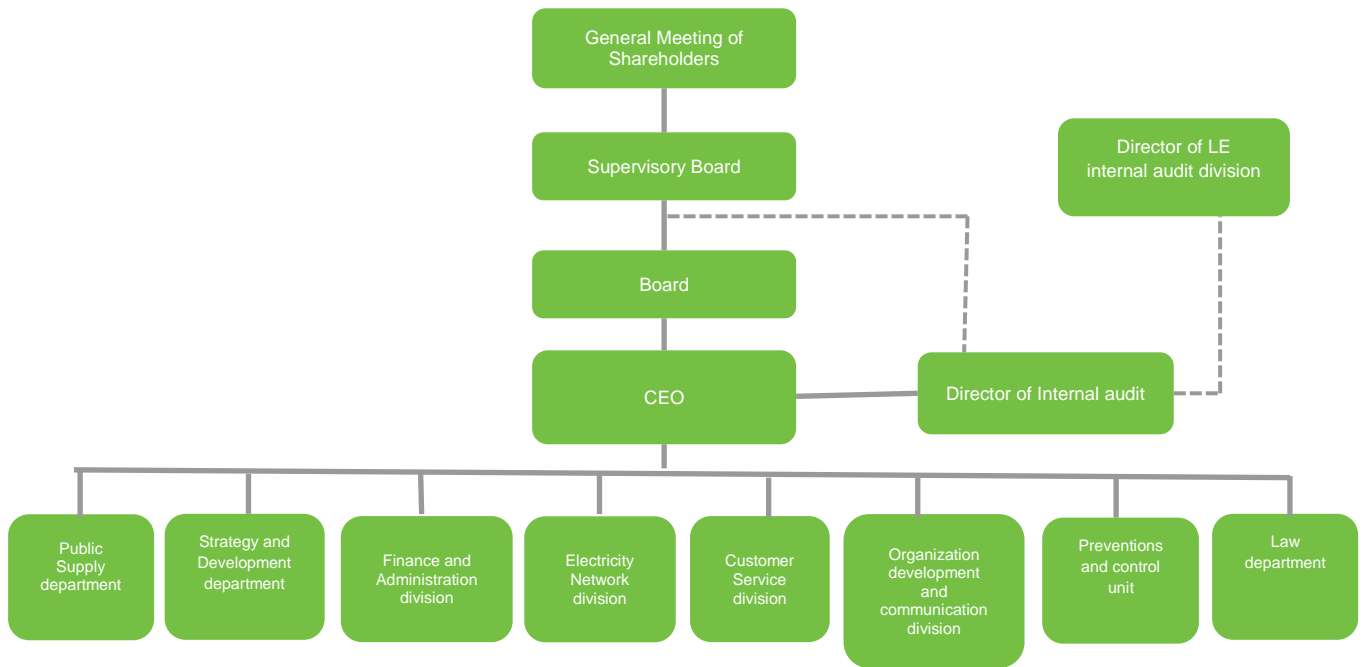
### Chief Executive Officer

Chief Executive Officer (hereinafter – CEO) is a one-person managing body of the Company.

The competence of the Managing Director and the procedure for election and recall thereof are governed by the law, other legal acts and Articles of Association. CEO is elected and recalled by the Board of the Company. CEO organises the Company's activities, manages the Company, acts on behalf of the Company and unilaterally concludes transactions, except for the cases the Company's Articles of Association and other legal acts provide.

Since 23 September, 2013, Aidas Ignatavičius acts as CEO of LESTO by the decision of the Board.

LESTO management structure





## LESTO Supervisory Board

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**Darius Kašauskas** (born in 1972)  
**Chairman of the Supervisory Board**

**In this position:**  
Since 31 July, 2013  
**Ending of term:**  
31 July, 2017

**Education:**  
ISM University of Management and Economics,  
BI Norwegian Business school,  
Master in Management  
Vilnius university,  
Master in Economics.

**Main occupation:**  
UAB „Lietuvos energija“,  
Director of Finance and Treasury



**Ilona Daugėlaitė** (born in 1970)  
**Member of the Supervisory Board**

**In this position:**  
Since 31 July, 2013  
**Ending of term:**  
31 July, 2017

**Education:**  
Vilnius university,  
Master in Hydrogeology and Engineering  
Geology.

**Main occupation:**  
UAB „Lietuvos energija“,  
Director of Organizational Development



**Petras Povilas Čėsna** (born in 1945)  
**Independent member of the Supervisory Board**

**In this position:**  
Since 30 September 2013  
**Ending of term:**  
31 July, 2017

**Education:**  
Vilnius university ,  
Qualification of Economist

**Main occupation:**  
Lithuanian centre of Exhibition and Congress LITEXPO, chairman of the Board

## LESTO Board and CEO



**Aidas Ignatavičius** (born in 1974)  
**Chairman of the Board**  
**CEO**

**In the position of Chairman:**  
Since 17 September, 2013  
**Ending of term:**  
17 September, 2017

**In the position of CEO:**  
Since 23 September, 2013

**Education:**  
Vilnius university,  
Master in Business Administration and  
Management

**Main occupation:**  
LESTO, CEO



**Andrius Bendikas** (born in 1973)  
**Member of the Board**

**In this position:**  
Since 17 September, 2013  
**Ending of term:**  
17 September, 2017

**Education:**  
Baltic Management Institute (BMI),  
Master in Business Administration

**Main occupation:**  
LESTO, Director of Finance and  
Administration division



**Dalia Andrulionienė** (born in 1971)  
**Member of the Board**

**In this position:**  
Since 17 September, 2013  
**Ending of term:**  
17 September, 2017

**Education:**  
Vilnius university,  
Master in Economics.  
ISM University of Management and  
Economics,  
Master in Executives

**Main occupation:**  
LESTO, Director of Organization  
Development and Communications  
division



**Virgilijus Žukauskas** (born in 1961)  
**Member of the Board**

**In this position:**  
Since 17 September, 2013  
**Ending of term:**  
17 September, 2017

**Education:**  
Kaunas University of Technology,  
Master in Electricity Supply for Industry,  
Cities and Agriculture.

**Main occupation:**  
LESTO, Director of Electricity  
Network division-vice CEO



**Sergejus Ignatjevas** (born in 1965)  
**Member of the Board**

**In this position:**  
Since 17 September, 2013  
**Ending of term:**  
17 September, 2017

**Education:**  
Vilnius university,  
Master in Finance and Credit

**Main occupation:**  
LESTO, Director of Customer Service  
division

Information on LESTO Supervisory Board, Board and administration members participation in the activities of companies and organisations; shareholding in other companies exceeding 5% of capital/votes

Name, surname	Name of organisation, position	Capital held, %	Share of votes, %
<b>Supervisory Board</b>			
Darius Kašauskas	LESTO, chairman of the Supervisory Board	-	-
	„Lietuvos energija“, UAB, member of the Board, Director of Finance and Treasury	-	-
	NT valdos, UAB, member of the Board	-	-
	LitGas, UAB, member of the Board	-	-
Ilona Daugėlaitė	Kauno energetikos remontas, UAB, member of the Board	-	-
	LESTO, member of the Supervisory Board	-	-
	„Lietuvos energija“, UAB, member of the Board, Director of Organizational Development	-	-
	Technologijų ir inovacijų centras, UAB, chairman of the Board	-	-
Petras Povilas Čėsna	ELEKTROS TINKLO PASLAUGOS, UAB, member of the Board	-	-
	Spouse has 3,400 ordinary registered shares of UAB SOLUTIONLAB PRODUCTION (company code 300629188)	68	68
Petras Povilas Čėsna	LESTO, independent member of the Supervisory Board	-	-
	Lithuanian centre of Exhibition and Congress LITEXPO, chairman of the Board	-	-
	Republic of Lithuania Seimas, public assistant of parliamentary I. Šiaulienė	-	-
<b>Board</b>			
Aidas Ignatavičius	LESTO, chairman of the Board, CEO	-	-
	Technologijų ir inovacijų centras, UAB, member of the Board	-	-
Virgilijus Žukauskas	LESTO, member of the Board, Director of Electricity Network division-vice CEO	0,000012	0,000012
Andrius Bendikas	LESTO, member of the Board, Director of Finance and Administration division	-	-
Sergejus Ignatjevas	LESTO, member of the Board, Director of Customer Service division	-	-
	Pylimo str. 36 Association of the First block of flats owners, chairman	-	-
Dalia Andrulionienė	LESTO, member of the Board, Director of Organization Development and Communications division	-	-
<b>Administration</b>			
Aidas Ignatavičius	Look for the information above	-	-
Zina Chmieliauskienė	LESTO, Chief Accountant, Director of Accounting department	-	-

**Information on payments to LESTO Supervisory Board members\*, Board members\*\*, CEO and Director of Accounting department over reporting period\*\*\***

	Salaries, LTL	Members of the Board and Supervisory Board salaries***, LTL
CEO Aidas Ignatavičius	45,000	-
Chairman of the Board Aidas Ignatavičius	-	15,000
Member of the Board Dalia Andrulionienė	-	9,000
Member of the Board Virgilijus Žukauskas	-	9,000
Member of the Board Andrius Bendikas	-	9,000
Member of the Board Sergejus Ignatjevas	-	9,000
Chairman of the Supervisory Board Darius Kašauskas	-	-
Member of the Supervisory Board Ilona Daugėlaitė	-	-
Member of the Supervisory Board Petras Povilas Čėsna	-	2,250
Director of Accounting department Zina Chmieliauskienė	36,000	-
<b>Members of the Administration total</b>	<b>81,000</b>	<b>53,250</b>

\* LESTO Articles of Association indicates: „Agreements with members of the Supervisory Board can be signed for factual work in the Supervisory Board; rights, duties and responsibilities are set out in such agreements. Independent members of the Board can get remuneration for their work in the Supervisory Board by the decision of the General Meeting of Shareholders. The terms of the Supervisory Board members' agreements and the criteria of independence are determined by the General Meeting of Shareholders in accordance with requirements of legal acts and good corporate governance practices“. On 2 August, 2013 the agreements of the Supervisory Board member's factual work were signed with Darius Kašauskas and Ilona Daugėlaitė. On 30 September, 2013 the agreement of the Supervisory Board independent member's factual work was signed with Petras Povilas Čėsna.

\*\*LESTO Articles of Association indicates: „Agreements with members of the Board can be signed for factual work in the Board before taking up the position; rights (including the right to get remuneration for the work in the Board, if there is a decision to remunerate), duties and responsibilities are set out in such agreements. The Supervisory Board determines the conditions of agreements with the members of the Board“. On 17 September, 2013 the agreements of the Board members' factual work were signed with Andrius Bendikas, Sergejus Ignatjevas, Virgilijus Žukauskas and Dalia Andrulionienė. On 17 September, 2013 the agreement of the Board chairman's factual work was signed with Aidas Ignatavičius.

\*\*\*LESTO has not transferred any assets to members of management bodies. There were no loans, guarantees and sponsorship granted to the management bodies by the Company.

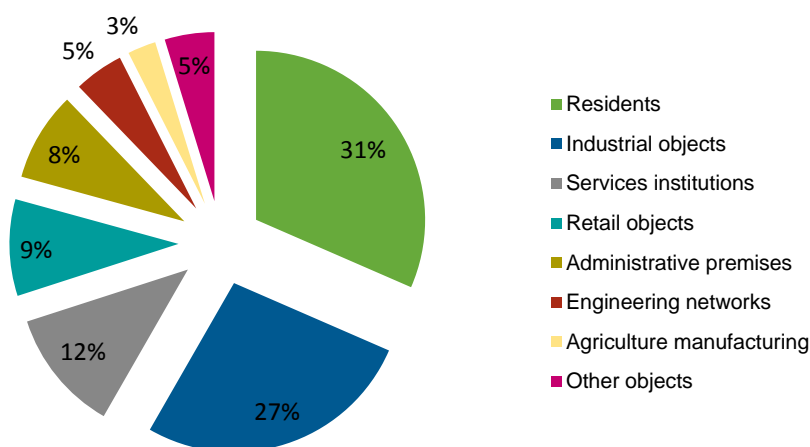
## Electricity distribution network

### Development and expansion of the activities

Activity indicators	2014 January - March	2013 January - March
Amount of electricity received to the distribution network, million kWh	2,402	2,416
Technological losses in the distribution network, million kWh	196	205
Volume of network service, million kWh	2,206	2,210
Amount of electricity sold, million kWh	908	863
<b>Electricity quality indicators:</b>		
SAIDI, minutes (with "force majeure")	51.07	15.11
SAIFI, times (with "force majeure")	0.33	0.19

During the three months of 2014 the amount of LESTO network service reached 2,206 million kWh. Electricity sales made up 41.2 % of this amount, to the rest customers LESTO granted only network service. Comparing with the same period of 2013, the amount of electricity sold increased by 5.2 % due to the rise of guarantee supply, while the volume of network service decreased by 0.2 %. Technological losses experienced by the Company during the three months of 2014 amounted to 196 million kWh and this totalled to 8.1 % from the amount of electricity received while during the same period of 2013 technological losses totalled to 8.5 % from the amount of electricity received.

### Structure of network service volumes by objects



31 % of electricity network service volume was allocated to residents. Industrial and service institutions consumed 27 % and 12 % respectively. In comparison with 2013 data, the structure of electricity network service has changed insignificantly. The share of electricity transmitted to industrial objects increased by 1 percentage point, and that of the administrative premises declined by 1 percentage point.

LESTO pays much attention to the development and maintenance of the electricity network. This guarantees that society is provided with economic and social benefits, that the reliability and the quality of the electricity supply are increased, that the more rational use of energy is facilitated, all of which contributes to the Company's environmental policy.

In the three months of 2014, LESTO investments in electricity network expansion and modernization reached LTL 41.5 million. This is 9.1 % more compared to the investment during the same period of 2013.

During the three months of 2014, compared with the same period of 2013, the biggest increase was in the connection of new customers (26.6%). Investment in the medium voltage electricity grid decreased by 40.4 % and investment in the low voltage electricity grid declined by 19.6 %, compared with the same period of 2013.

#### LESTO investment, LTL thousand

	2014	2013	Change, %	Structure, %	
	January - March	January - March		2014	2013
<b>Investments in expansion</b>	<b>33,601</b>	<b>26,625</b>	<b>26.2</b>	<b>80.9</b>	<b>69.9</b>
Connection of new customers	33,361	26,356	26.6	80.3	69.2
Buyout of electricity objects	240	269	-10.8	0.6	0.7
<b>Investments in maintenance</b>	<b>7,922</b>	<b>11,444</b>	<b>-30.8</b>	<b>19.1</b>	<b>30.1</b>
Low voltage electricity grid	5,954	7,405	-19.6	14.3	19.5
Medium voltage electricity grid	1,407	2,359	-40.4	3.4	6.2
Other investments	561	1,680	-66.6	1.4	4.4
<b>Total</b>	<b>41,523</b>	<b>38,069</b>	<b>9.1</b>	<b>100.0</b>	<b>100.0</b>

During the three months of 2014, LESTO has connected 3,951 objects of new customers, 23.7 % more than in the same period of 2013 when it had 3,194 objects connected. The permissible power for new customers was equal to 55,420 kW, which is 4.3 % less than in the three months of 2013, when the permissible power was 57,927 kW.

During the three months of 2014, LESTO continued redemption of networks from communities of the gardeners in order to satisfy increased electricity consumption demands of the gardeners as well as demands to maintain infrastructure. The goal was to ensure reliable and safe electricity supply and modernization of the networks. During the three months of 2014 LESTO acquired electricity networks from 2 communities of the gardeners. Since the start of the acquisition process (in 2003), LESTO has acquired 936, or 97 % of power networks from the communities of the gardeners.

On 13 December, 2013 the Company signed the contract for administration and funding of the project "Replacement of complex transformer-stations of LESTO AB by pole transformer-stations", which had been signed with the Ministry of Economy of the Republic of Lithuania and the LVPA (Lithuanian business support agency). According to this contract, the sum intended for funding of this project from the EU structural funds amounted to LTL 7.769 million. Total value of the project, which will run until 28 August, 2015, amounts to LTL 19.423 million. The unique code of the project is VP2-4.2-ŪM-01-K-04-001. By executing modernization works on distributive networks during the project, 724 complex transformer-stations already showing natural and moral wear-and-tear will be replaced by modern post transformer-stations. This will allow to satisfy the increasingly rising loads as well as requirements of electricity supply reliability and quality. The works will be done all over Lithuania. During the implementation of the project, the uninterrupted electricity supply will be ensured to the consumers. All consumers living in the project's implementation territory will be able to use benefits created by the project results, namely - the consumers, who are connected to modernized transformer-stations. Target project also will contribute to the development of the regions. Currently the procurement procedures are cared out.

By implementing the contract for administration and funding of the project "Modernization and development of AB LESTO electricity distributing networks in the communities of the gardeners" (project's code VP2-4.2-ŪM-01-K-04-002), which had been signed on 29 March, 2012 between Ministry of Economy of the Republic of Lithuania, LVPA and LESTO for modernization and development of electricity networks in 76 communities of the gardeners located in the territory of Lithuania and served by LESTO, modernization and development works on electricity networks were finally finished in 4 communities of the gardeners during the three months of 2014. The sum intended to fund the project from the EU structural funds amounts to LTL 9.147 million.

In 2014, the Company continues the works that are partially funded by the EU structural funds. On 28 December, 2012 three administration and funding contracts were signed between the Ministry of Economy of the Republic of Lithuania, LVPA and LESTO (in the year 2013, agreements on contract amendments were signed) in order to implement these projects:

- "Modernization and development of AB LESTO electricity distributing networks in communities of the gardeners" (project's code VP2-4.2-ŪM-01-K-04-004). The project was intended for modernization and development of electricity networks in 17 communities of the gardeners located in the territory of Lithuania and served by LESTO. For the funding of the project, LTL 3.48 million from EU structural funds was supposed to be used. During the three months of 2014 the modernization and development works were fully finished at 5 objects.
- "Replacement of electricity airlines of AB LESTO by cables system" (project's code VP2-4.2-ŪM-01-K-04-002) (36 objects). For funding of this project LTL 5.408 million from the EU structural funds was supposed to be used. In the first three months of 2014 the modernization and development works were fully finished at 2 objects.
- "Modernization of LESTO AB transformer substations" (project's code VP2-4.2-ŪM-01-K-04-003). 7 substations will be modernized according to the project. The EU structural funds granted LTL 13.2 million for the funding of this project.

### Business environment

The European Commission's economic forecast shows that Europe's economic recovery is expected. The gross domestic product of the first quarter of 2014 rose by 0,3 % across the European Union and by 0,2 % across the euro area<sup>1</sup>. Lithuania's gross domestic product of the first quarter of 2014, comparing with the same period of 2013, increased by 3.1 %. Besides, banks analysts<sup>2</sup> are of the opinion that Lithuania's economy will grow in the year 2014; it is expected that Lithuania's gross domestic product will grow from 3.0 % to 3.7 % in 2014. Since electricity consumption is closely related to the gross domestic product growth, the economic growth will affect the results of LESTO: it is expected the growth of the amount of electricity received to the distribution network and the volume of network service in 2014.

### Distribution network reliability indexes

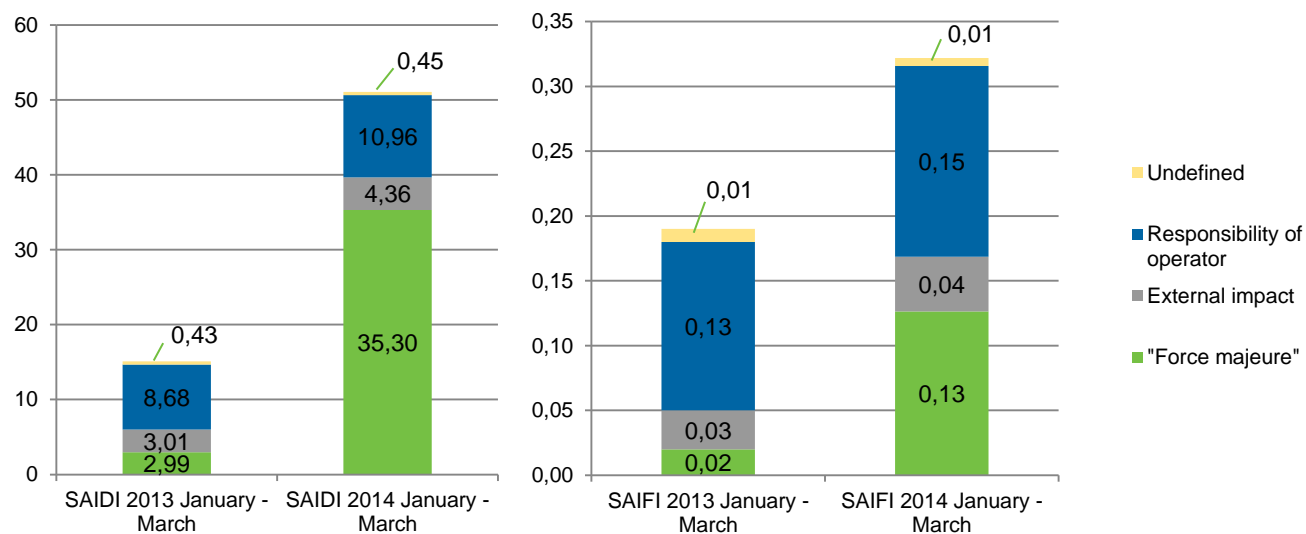
In the three months of 2014, with the influence of natural disasters ("force majeure") the system average interruption duration index (SAIDI) per customer amounted to 51.07 minutes and, compared with the same period of 2013, it has worsened (SAIDI for the three months of 2013 was equal to 15.11 minutes). This index has increased due to unfavorable weather conditions in spring - 78.6 % electricity distribution system consists of overhead power lines, so the electricity supply is still very dependent on the weather. In order to reduce the vulnerability of the distribution system, greater investment is needed changing overhead to underground power lines. Natural phenomena omitted, SAIDI index did not change significantly during the first quarter of 2014 and amounted to 15.77 min. (during the three months of 2013 – 12.12 min.). The system average interruption frequency index (SAIFI) per customer reached 0.33 times and, compared with the same period of 2013, it has also worsened (SAIFI for the three months of 2013 amounted to 0.19 times).

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<sup>1</sup> The source: The Economist

<sup>2</sup> SEB bank. Lithuanian Macroeconomic Review No. 55, April, 2014; Lietuvos bankas. Economic Outlook for Lithuania, 27 February, 2014; „Swedbank“ Economic Overview, 21 January, 2014

Quality of electricity supply (SAIDI, SAIFI) 2013 January – March and 2014 January – March



LESTO personnel

The main asset of the Company is its employees, the most important link when pursuing the set objectives. The Company's personnel policy is oriented towards training of professional abilities of the employees and formation of organization's culture, which ensures creating value for clients, partners and the society.

During the three months of 2014, the time intervals of the electronic electricity meter inspection were changed by the State metrology service Directors order, which reduced the Company's metrological electricity meter replacement volumes, the number of LESTO personnel in Customer Service Division's Electricity Recording Management Department was reduced by 40 positions.

Number of employees since the beginning of the year was reduced by 0.5 % - from 2,420 employees on 31 December, 2013 to 2,409 employees on 31 March, 2014.

LESTO employees by categories

Darbuotojų kategorija	Number of employees
	31 03 2014
CEO	1
Top-level managers	6
Mid-level managers	164
Experts, specialist, workers	2,238
<b>Total</b>	<b>2,409</b>

Training

LESTO organizes training of different type for the employees of the Company. Professional qualification of employees is raised by mandatory training – after completion of training the employees obtain certificates that permit more effective special works. 368 persons participated in mandatory training during the three months of 2014. The employees participated in training of manager of high-scaler works, electro-technical personnel operating tasks under voltage on current-carrying parts, electrical grounding, resistance measurements, manager of high-scaler and logging operations, first aid and hygiene skills, and in other training.

During the three months of 2014, 150 persons participated in general training with the aim to train general competencies. This training was organized both by forming inner groups of the Company and sending single employees to seminars and



conferences (in Lithuania and abroad) organized by outer suppliers. The Company pays high attention to development of the managers' leadership competence: during the three months of 2014 the Company launched a long-term management program involving part of the Company's executives.

The Company pays high attention to its best employees; therefore, already few years successively talent management system is developed. In the three months of 2014 employees included to certified talent's list of the Company participated in various training programmes organized by competence training and education centres. In order to fully educate the Company's talents, during the three months LESTO contributed to the funding of four talent's studies in higher education institutions.

In order to achieve more efficient use of our employees' competences and qualifications, there were two training groups "How to train colleagues (for beginners)?" organised within the three months of 2014. This way, the Company seeks to develop the adult training so that employees with specific knowledge and skills would share them with their colleagues and become internal lecturers. Thus, during the three months of this year, internal lecturers of the company helped 809 employees in the electric power sector to improve their qualification.

The Company also constantly collaborates with manufacturers and equipment suppliers delivering their knowledge to LESTO electricity network service employees doing the work for free – presenting the trends of market and innovations in sphere of the energy. 238 employees participated in such training in the three months of 2014.

In order to ensure the quality of the organized trainings, training programs are prepared in continuous and close cooperation with suppliers, ongoing training evaluation surveys are carried out.

#### Payment system

Remuneration policy was introduced by LESTO the implementation of which placed LESTO among other most progressive companies of the country, which remunerate their employees for the work performed according to the results achieved, value created for the organization and the team. The remuneration system was developed on the basis of "Hay Group" methodology ensuring objective evaluation of the employee's offices according to the required education, complexity of the problems, and level of responsibility of the specific office. This system supports efficiently management of the Company's expenses and ensures that strategic goals and business management logics of LESTO would be reflected in the payroll system.

The Company's employee remuneration package consists of financial, non-financial and emotional rewards. Financial reward system includes a monthly paid fixed salary indicated in the employment contract, as well as the variable part of the salary paid for the reached results of performance and other premium (for overtime, night work, etc.) paid according the collective agreement and other internal legal acts. Non-financial rewards are an indirect remuneration, which is used by the Company to promote its employees' effort, involvement and loyalty, employee well-being and enrichment activities in the Company. These rewards includes various events, greetings for special occasions, recognition and evaluation by awarding employees for their especially high results, health promotion, employee development and training. Emotional rewards are the factor that is hardly measured but very important for employees' involvement in the Company's operations, it includes the Company's reputation, organizational culture and values, career opportunities, various internal communication programmes that allows employees to share their ideas, ask questions, get acquainted with colleagues with the support of an internal website.

#### Average wages of LESTO employees

Darbuotojų kategorija	Average gross wage, LTL
	2014 January - March
CEO	15,000
Top-level managers	12,353
Mid-level managers	5,853
Experts, specialist, workers	2,992
Total	3,219

## Collective agreement

On 7 March 2014, a new collective agreement was approved at the staff conference of electric power distribution network operator LESTO, which will ensure higher level of protection for LESTO employees and more additional benefits not specified in the Labour Code of the Republic of Lithuania.

The goal of the collective agreement is to ensure efficient operation of the Company and represent the rights and legitimate interests of the Company's employees. The agreement sets forth working, remuneration, social, economic and professional conditions and guarantees that are not regulated by the laws or other legislative acts. Employees receive additional guarantees (benefits in the event of an accident, illness and death of a relative, birth of a child, extra days of paid leave after the birth of a child, marriage, death of a relative, and other cases).

## Internship

LESTO actively collaborates with educational institutions and creates conditions for university or college students for application of theoretical knowledge and acquisition of professional skills. During the three months of 2014, 48 students were exercising their practice in LESTO. The Company received not only the students coming for the mandatory internship, but also LESTO was searching and selecting motivated and enthusiastic students in order to provide them opportunity to exercise practice in the Company on a voluntary basis. This year in cooperation with Kaunas University of Technology the lecturer of Electrical Energy Systems department did 2.5 months duration internship in LESTO. Given the demand of new employees, the Company remembers most enthusiastic trainees, and most relevant of them are invited to join the team of LESTO.

## Customer Service

### Customer satisfaction

Satisfaction of clients is measured once per year by running a survey of clients' satisfaction. In the year 2013, satisfaction level of LESTO clients, which was estimated according to GCSI research methodology<sup>3</sup>, was by 9 points higher than comparative GCSI index of European energy companies. LESTO index equals to 76, whereas average of European energy companies equals to 67 points of the index. This research shows the fact that quality of service and servicing provided by LESTO exceeds the expectations of the clients and is rated better by 1 point than a year before.

### The Number of the Customers Serviced

On 31 March, 2014 LESTO had 1.549 million contracts with private clients and 64 thousand contracts with business clients (on 31 March, 2013 it had 1.53 million contracts with private clients and 63.5 thousand contracts with business clients).

### Service Channel Development

In the three months of 2014 the number of customers who uses the remote service channels (self-service website "Mano elektra" and customer service 1802) increased, while the flow of electrical energy users in LESTO customer service centers of smaller towns is decreasing. Due to changing customer needs, the Company consistently invests and expands the services provided by the telecommunications and internet channels.

On March 31, 2014 there were 422 thousand of registered users in self-service website "Mano elektra", including 372 thousand domestic users.

<sup>3</sup> For the research of LESTO client's satisfaction Global Customer Satisfaction, index (GCSI) methodology was invoked, which is based on American Customer Satisfaction Index (ACSI). GCSI is a global franchise of ASCI research methodology. The instrument consists of 17 questions that are summarized to 6 rate groups: expectations of clients, assessment of quality, assessment of understood value, satisfaction of clients, loyalty of clients and complaints of clients. Investigation of satisfaction of LESTO clients within the period of September-November, 2013 was performed by UAB "SYNOPTICOM". Controlled sampling was comprised of 1106 private clients and 921 business clients.

During the three months of 2014, the number of visitors of the website [www.manoelektra.lt](http://www.manoelektra.lt) (by comparing data of the three months of 2013) increased from 622 thousand to 726 thousand.

During the three months of 2014, by short client service telephone 1802 information was provided to more than 267 thousand clients (during relevant period of the year 2013, information was provided to 248 thousand clients), more than 113 thousand requests of the clients on various questions were received and solved (during relevant period of 2013, 84 thousand requests of the clients were received and solved).

During the three months of 2014, more than 69.4 thousand clients were served by client service centres located in the five largest Lithuanian cities.

#### **Maintenance and Development of Accounting for Electricity**

During the three months of 2014, the Company replaced 38,504 pieces of metrologically outdated electricity metering devices; out of them 72 % were used for electric energy metering in single-phase alternating current systems, and 28 % - of three-phase systems. The Company mounted 4,291 pieces of power account equipment for new clients; from them 31 % were intended for recording power of single-phase alternating current systems, and 69 % of three-phase systems. By constant modernization of electricity metering devices the Company performed more than 253 thousand inspections of electricity metering devices jointly with same number of reading control operations.

By putting investments into modernization and automation of electricity metering devices during the three months of 2014, the Company connected 1,487 pieces of electricity metering devices to computer-assisted power recordings reading system by such means of increasing number of electricity metering devices reading the records in a remote way up to 21,554 of units. Automation of power account equipment provides possibility to invoice automatically the client on electricity amount gone per period instead of declaring amount by clients themselves.

#### **Customer Settlement Management**

In the three months of 2014 the clients have been using electronic means of settlement more and more often. At the end of reporting period, nearly 41 % of all payments for energy consumption were performed by electronic channels.

Direct debit means one method of payment for the consumed energy and it becomes more and more popular in Lithuania. Following this method, the client pays equal amount for electricity each month and this amount is automatically deducted from client's bank account. Almost 13 % of LESTO customers are paying by direct debit already. During the three months of 2014, the number of direct debit payments for electricity consumed (by comparing data of the three months of 2013) increased by 34 %.

Each client, who pays for electricity by means of direct debit, is personally informed about contribution amount settled individually. On request of LESTO clients, who selected to pay by direct debit, after carrying periodical inspections of meter readings the amount of contributions is recalculated, and also when the price of the electricity is changed. Moreover, clients themselves can select the most comfortable payment's date, when invoice for consumed electricity is settled automatically. The customers can declare the readings of electricity consumed in constantly updated self-service website, "My electricity".

#### **Market liberalization**

On 31 March, 2014 independent suppliers delivered electricity to 52,591 objects. According to plan for development of Lithuanian power market signed by the Government of the Republic of Lithuania on 8 July, 2009, on 31 March, 2014 independent electricity supplier has been chosen accordingly:

- About 90 % of objects with permissible power of 400 kW and more;
- About 71 % of objects with permissible power of 100 kW and more;
- About 66 % of objects with permissible power of 30 kW and more;
- About 68 % of objects with permissible power less than 30 kW.

The remaining objects are supplied with electricity by the warranty supplier (LESTO).

### Projects and initiatives on social responsibility

LESTO is a member of the Global Compact initiated by the United Nations and submits annual Progress report prepared according to the principles provided by the Global Compact. The Global compact covers implementation of 10 principles of responsible performance and encourages companies to preserve environment, community and other businesses, also to participate in solving social and environmental protection problems together with the United Nations, authority institutions and non-governmental organizations, contribute to evolution of the society and economic growth. The Global Compact is based on principles of human rights and rights of the workers, environmental protection and fighting corruption.

### The priorities of LESTO Corporate social responsibility

The main goal of LESTO socially responsible activities is formation of skills of society contributing to safe and rational consumption of electricity, saving energy resources and minimizing effect over environment; therefore, all socially responsible actions initiated by LESTO contribute to achievement of these goals.

### Environmental Projects

**Electric vehicles.** LESTO sees high potential for development of electric vehicles in the future; new technologies using energy more efficiently and their introduction to car industry compete in the market more and more, particularly in comparison with long-standing automobiles that use traditional fossil fuel. In order to run experiments and practically assess possibilities by using new cars, also their potential under Lithuanian climate and roads conditions, LESTO leased electric car for three years period in 2013. Experiments with the electric car carried out by the electric power distribution network operator LESTO over the last six months have provided interesting findings – the car is particularly suitable for an intensive use in the city and, when used in summer and autumn, its range exceeds the manufacturer's specification of 199 km. For work purposes, the biggest range driven by LESTO representatives with the car was 1,000 km a week, while on average – 1,000 km a month.

**Paper saving and customer information using modern technologies.** The Company constantly motivates its clients to reject paper bills and billing books, and chose instead remote service channels or pay by means of direct debit. More than 90% of LESTO business clients already turned to electronic billing. LESTO informs public about known faults in the distribution network that disrupted the electricity supply by electronic emails and SMS messages. About 80 % of electricity consumers are informed in such way.

**Sorting of waste and waste management.** Paying attention to published statistics, namely that actually one fourth of total communal waste is formed of paper, cardboard and plastic, and that waste of such type mostly is disposed of by offices, LESTO central office, which has utmost number of employees, initiated waste disposal by sorting plastic and paper. By contributing to safer environment LESTO continues serving of points for workers operating in client service centers in order to collect power saving bulbs, fine electronics and batteries.

### To the public

To a wide extent LESTO implements long-term social responsibility projects for children, youth and public. All of them cover active inclusion of target social groups as well as ideas concerning safe and efficient usage of energy and environmental protection.

### Loss reduction and educational project „Operation 2020“

Until the year 2020, the Company plans to proceed with the implementation of the programme “Operation 2020” in order to motivate responsible behaviour with electric devices, increase understanding of people about safety and reduce negative outcomes rising as a result of non-responsible and malicious behaviour of people.

This year LESTO continues active cooperation with the Association of Local Authority Heads in Lithuania, as well as participates in rallies and meetings organized by the chiefs. A major support in combating theft is the public spirit – reports by citizens help to quickly identify offenders and repair damaged transformers before they burn out and stop supplying power for the residents.

In the three months of 2014, in response to escalating thefts from distribution network installations in Panevėžys, Pasvalys, and Biržai districts, the Company together with the police and local residents carried out searches, detained 5 persons, and began pre-trial investigations. After assessing cases of detected thefts it is possible to say that 50 % of theft cases were detected with the help of the citizens.

Within the first three months of the year alone, thieves caused citizens damage of LTL 219.48 thousand. Within the three months of 2014, officers of the Economic Crime Investigation Division of Crime Investigation Board of Vilnius County Police Headquarters, together with LESTO and AB TEO, carried out 7 inspections in scrap purchasing companies. 6 out of the 7 companies were found to be involved in purchasing base metal scrap and waste that is included in the prohibited list of forbidden base metal scrap and waste, were found to have violated purchasing, accounting and storage procedures for base metal scrap and waste, or had other violations which were reported to the State Tax Inspectorate and the State Labour Inspectorate.

#### For the enhancement of electricity efficiency – „To the Extent Required“

Stimulation of rational energy usage is one of underlying trends of LESTO social responsibility, contributing to environmental protection and saving energy resources due to obligations of the country to pursue the European Union programme with regard to climate change. This project strives at creating traditions of rational life of society by searching for rational way to consume electricity both in daily life and business.

**“The Green protocol” and “Conference for business on power efficiency”.** Companies have been invited to join “The Green protocol” for four years in a row. This refers to an agreement, which is unique in the country and has been initiated by LESTO. By following this agreement, companies and organizations confirm being aware of the ideas of saving environment and stimulating rational energy usage, and their own agreement with such ideas and undertaken realization of those in practice. UAB Dzūkijos Vandenys was pronounced the winner of the “Green Protocol” initiative, held for the fourth consecutive year, for the most rational electric energy consumption of an organization. In 2013, the company completed the reconstruction of a sludge treatment facility which has a cogenerator that produces electric energy from biogas. The annual conference on rational energy consumption, held on 14 February, was attended by around 230 participants from more than 160 companies operating in the country who were interested in the major trends in efficient energy use and the latest decisions allowing to reduce energy costs. For the first time in history, the initiative introduced the “Green Ambassador” nomination, which is awarded to an employee of a “Green Protocol” company who came up with the most creative and effective ways to promote economic ideas in the company, involved other employees, and installed or encouraged the installation of innovative technologies during the last year. The first “Green Ambassador” award went to the environmental protection specialist from UAB AQ Wiring Systems who provided information on energy saving, annual goals and ratios to her managers and employees during trainings. The company produces brochures with saving tips in order to improve employees' awareness, as well as organizes various campaigns and contests. A special award for the installation of an effective energy saving solution went to UAB ENERGUS, which saved its clients almost LTL 4 million during 2013 by providing electric power saving services.

**Project of modern streets' lighting.** In autumn of 2013, LESTO together with Birštonas local authorities and Italian public lightning company “Enet Sole” started an experimental project on efficiency of illuminators based on LED technologies “As much as needed for the city”. 14 usual street illuminators were changed with LED illuminators during the project. LESTO equipped required recording appliances and financed illuminator replacement works. Technical specifications of LED illuminators reflect situation that by modernizing lighting of streets, municipality could save 50 % of consumed electricity. Street's lighting project being implemented in Birštonas shows that investments will pay off within approximately 3.7 years.

According to LESTO data, 150-160 thousand illuminators currently are equipped in the largest cities of Lithuania, and most of them use sodium lamps of capacity from 70 to 250 W.

### National education programme “Sustainable School”

In order to promote the awareness of school communities and contribute to the building of a sustainable, energy-efficient and environmentally friendly Lithuanian society, LESTO and Lithuanian Youth Centre together with partners invited educational institutions of the country to take part in a year-long educational programme “Sustainable School”. For the first time in Lithuania, 70 participating institutions from various Lithuanian regions will carry out an ecological footprint study designed specifically for schools. Ecological footprint is a measure indicating the amount of planet’s resources necessary for meeting the consumption needs of the population. Ecological footprint study for Lithuanian schools has been prepared according to the methodology designed by Austrian scientists and tailored specifically for educational institutions. Each participating school, in accordance with its findings, will form teams of teachers, students, parents and administrative staff and, taking into account the data obtained during the study, will develop their action plans for improving the organisation of activities by taking into account three sustainable development components of equal importance: environment, social relations and the economy. Each participating school will have a possibility to involve experts of sustainable development and rational consumption who will assist school teams in preparing “Sustainable School” development plans. These experts will also organize habit-cultivating lessons and contests on rational consumption of electric power, heating and other resources, as well as other activities encouraging resource saving, which will involve teachers, students and their parents. The goal of the “Sustainable School” educational project, initiated by Lithuanian Youth Centre and LESTO, is to contribute to the development of sustainable communities consisting of educational institutions, which would be able to effectively manage and use resources by combining environmental protection, social justice and economic development. The “Sustainable School” project is sponsored by VšĮ Pakuočių Tvarkymo Organizacija, companies UAB Schneider Electric Lietuva, UAB Mano Būstas and the National Consumer Federation.

### Educational project on power saving for children and youth - “Elektromagija”

Educational initiative “Elektromagija” is pointed towards young people – it is created for training children and youth on power benefits, hazards and safety questions. The initiative’s aim is to encourage students to learn safe handling of electricity and electrical facilities, to promote interest in the responsible use of energy, as well as environmental and sustainable development ideas.

Elektromagija.lt continues various initiatives for educating children on a safe use of electric power this year. At the beginning of the year, children were invited to participate in a board game development contest where they had a chance to win 14 magical plasma bubbles which react to music and touch. The contest was attended by preschool and school-age children. Games developed had to be illustrated with drawings related to electric power: electrical equipment, devices or residents of the Electromagic country. Games also had to include at least a few tips on a safe use of electric power. The concept of the contest is relevant to teachers – the game strengthens the knowledge of physics related to electric power, develops logical thinking, stimulates interest in the world of electric power and technologies, and, of course, fosters creativity and drawing skills.

This year, Elektromagija.lt project was also introduced through interactive lessons for school-age children. The first interactive lesson “Electric Ideas” was held by representatives of LESTO for the seventh-graders of Vilnius Jesuit Gymnasium. During the lesson, the children not only learned about safe and unsafe ways of using electric power, but also participated in games and tests promoting electric efficiency. Students who demonstrated the best knowledge of rational consumption were awarded with special prizes, while other students received “Recipe Book” manuals on rational energy consumption designed by LESTO.

### Cooperation with the academic community

The international student organization AIESEC promoting student leadership organized the first “Lithuania Youth To Business” forum in Lithuania, where the most talented young people from Lithuania as well as leaders and experts of the business



community sat around the table to discuss the most relevant topics in today's dynamic world: entrepreneurship, innovations and social responsibility. The first "Lithuania Youth to Business" forum was attended by LESTO representatives who spoke on the topics of social responsibility and innovations.

#### **Market, clients and investors**

In the commercial environment, LESTO strives at transparent relations with all market participants – clients, partners, contractors and investors. Annually, LESTO takes care of electricity supply safety, its economic and social benefit and pays high attention to development and modernization of distributive network. Such activity has an important aspect within the trend of environmental protection – to create better energy saving conditions by using it rationally.

#### **Fighting corruption**

LESTO does not tolerate any corruption manifestations and speaks out about fair business and transparent collaboration with the state institutions. Risk is minimized by active internal control mechanisms intended for setting possible factors of corruption risks. Corruption prevention is one of the functions pursued by the Prevention and control unit of the Company. For the sake of good image of the Company, LESTO constantly executes its performance control and takes all actions for correction of detected violations and elimination of topping hazards.

#### **Membership**

The general meeting of the members of Lithuanian Association of Responsible Business (LAVA) took place in March 2014, in which 7 members were elected to the association's Congress. Among them was a representative of LESTO who joined LAVA not long ago. The mission of LAVA is to promote the development of responsible activities as a precondition for a sustainable development in Lithuania. The association is currently led by collegiate bodies – a three-member Council, a seven-member Congress, and the general meeting of members. LAVA currently has 28 participant companies, but the growing business interest in the activities of the association allows to expect a membership increase.

#### **Estimation**

LESTO was acknowledged at "PR LAPĖS" contest organized by Vilnius University Public Relations postgraduates. Our Company was recognized as the "Best Socially Responsible Fox of 2013". The award was received for the social responsibility and sustainable development project completed during 2013 "To the Extent Required for a Block of Flats".

The association "Investors' Forum", which brings together the largest investors in the Lithuanian economy, awarded LESTO as the most responsible company of 2013 in the annual award ceremony. LESTO was recognized for its social and public education projects, targeted aims to develop relationships with clients, promoting transparency and awareness, as well as responsible consumption of electric power.

## INFORMATION ON THE ISSUER'S SECURITIES AND AUTHORISED CAPITAL

### Authorised capital structure

Type of shares	Number of shares	Nominal value, LTL	Total nominal value, LTL	Share in authorized capital, %
Ordinary registered shares	603,944,593	1	603,944,593	100,00

There have been no changes in the Company's share capital in the accounting period and the share capital amounted to LTL 603,944,593.

All shares of the Company are fully paid.

### Shareholders

On December 31, 2013 the number of LESTO shareholders totalled – 7,188.

On March 31, 2014 the number of LESTO shareholders amounted to 7,104.

Shareholders of AB Rytų skirstomieji tinklai and AB "VST" that owned shares on 27 December, 2010 became LESTO shareholders.

### LESTO number of shareholders according to countries, 31-03-2014

Country	Number of shareholders
Lithuania	6,902
Russia	49
Belarus	38
Estonia	34
United States	20
Latvia	12
Other countries	49
<b>Total</b>	<b>7,104</b>

### Shareholders who owned more than 5 % of the issuer's authorized capital on 31 March, 2014

Full names of the shareholders (names of companies, types, headquarter addresses, company register code)	Number of ordinary registered shares	Share of authorized capital, %	Votes granted by shares owned, %
Lietuvos energija, UAB Žvejų str.14, Vilnius, company reg. No. 301844044	499,026,209	82.63	82.63
E.ON Ruhrgas International GmbH*, Brüsseler Platz 1 45131 Essen, Germany HRB No 21974	71,040,473	11.76	11.76

\*21 May 2014 LESTO received 'Lietuvos Energija', UAB notification that 'Lietuvos Energija', UAB and E.ON Ruhrgas International GmbH concluded LESTO shares purchase – sale agreement. 'Lietuvos energija', UAB has acquired from E.ON Ruhrgas International GmbH 71 040 473 units of LESTO shares (which make 11,76 % of all LESTO shares). After the acquisition of the shares 'Lietuvos energija', UAB will own 94,39 % of LESTO shares, remaining shares (5.61 %) will be held by other shareholders.

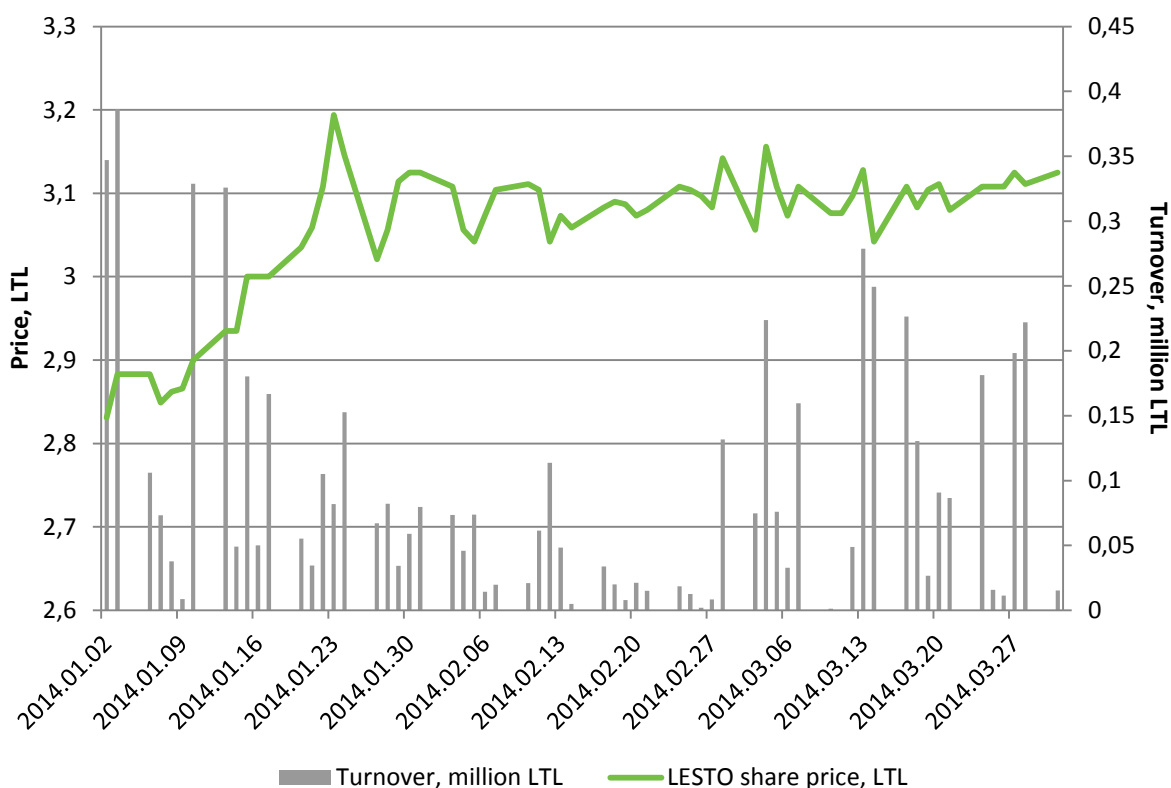


**Information on issuer's securities**

On 17 January, 2011 LESTO shares were included in the Main List of NASDAQ OMX Vilnius. LESTO shares are not traded in other regulated markets.

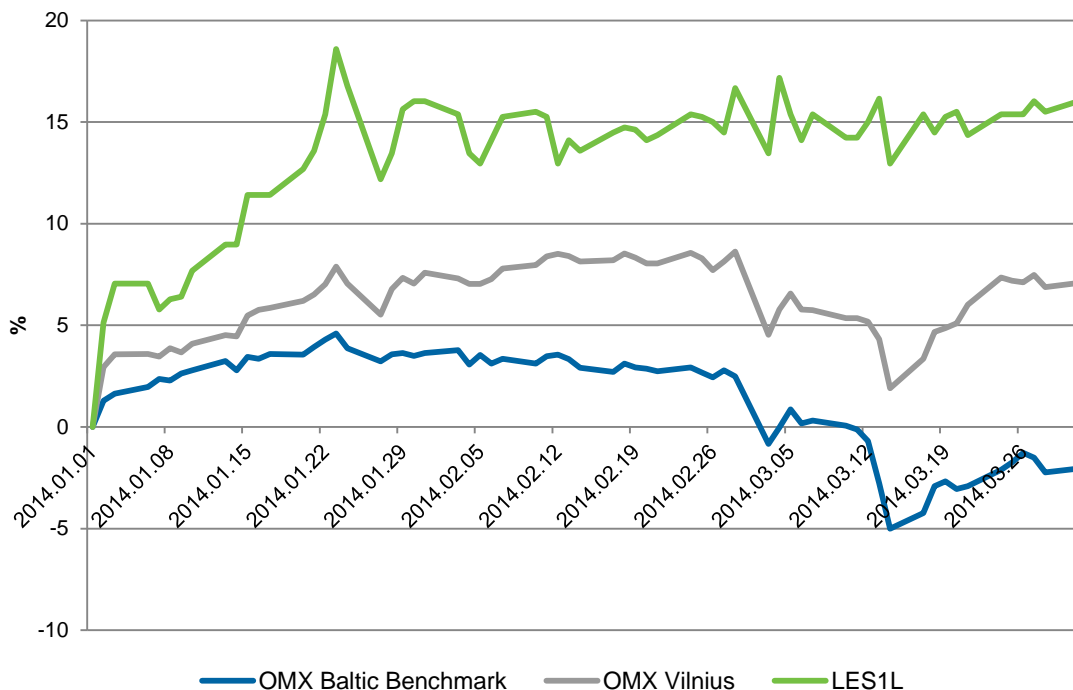
ISIN code	Trading list	Abbreviation of securities	Number of shares	Nominal value, LTL	Industry according to ICB standard	Supersector according to ICB standard
LT0000128449	BALTIC MAIN LIST	LES1L	603,944,593	1	7000 Utilities	7500 Utilities

**LESTO share price dynamics and turnover, 01-01-2014 - 31-03-2014**



LESTO is one of the biggest companies by market capitalization in OMX Baltic securities exchange market. During the three months of 2014 LESTO share price increased by 10.4 %. The lowest LESTO share price was recorded in the beginning of the reporting period on 2 January, 2014, the price of LESTO share was LTL 2.83. The highest point (LTL 3.19) during the reporting period was reached on 23 January, 2014. The weighted average price of LESTO share during the reporting period was LTL 3.03.

Dynamics of LESTO share price, OMX Vilnius and OMX Baltic Benchmark indexes, 01-01-2014 - 31-03-2014



LESTO shares are included in both OMX Vilnius and OMX Baltic Benchmark indexes. Index OMX Vilnius consists of all the shares listed on the Main and Secondary lists of the Vilnius exchange market. The weight of LESTO shares in this index contains 20.27 %.

OMX Baltic Benchmark index consists of a portfolio of the largest and most traded shares, representing all sectors available on the NASDAQ OMX Baltic Market. LESTO represents the utility sector. Since the beginning of the year until 31 March, 2014, index OMX Vilnius increased by 7.09 %, OMX Baltic Benchmark decreased by 2.04 %, while price of LESTO share increased by 10.39 % during the three months of 2014.

### Dividends

On 4 April, 2014, the decision to pay dividends for shareholders was adopted in Ordinary General Meeting of Shareholders. Company's 2013 financial year distributable profit was LTL 114.7 million. Profit allocation to pay out dividends per share was LTL 0.19.

### LESTO securities account manager

"Swedbank", AB is official manager of LESTO security account.

Contact details of Swedbank, AB:

Konstitucijos ave. 20 A, LT-03502 Vilnius

Tel. 1884, +370 5 268 4444, fax +370 5 258 2700.

**FINANCIAL STATUS**

Unaudited financial statements of LESTO and consolidated unaudited financial statements of LESTO group presented in this chapter have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

**Statement of financial position, LTL thousand**

	LESTO GROUP		COMPANY	
	2014-03-31	2013-12-31	2014-03-31	2013-12-31
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	4 594 544	4 644 520	4 453 958	4 499 476
Intangible assets	8 805	9 326	8 691	9 265
Prepayments for property plant and intangible assets	118	118	118	118
Investments in subsidiaries	-	-	203 652	203 652
Investment in associates	2	19 490	2	19 084
Investment property	148 202	147 088	-	-
Deferred income tax asset	146	-	-	-
Non-current receivables	2 350	2 319	1 970	1 939
	<b>4 754 167</b>	<b>4 822 861</b>	<b>4 668 391</b>	<b>4 733 534</b>
<b>Current assets</b>				
Inventories	9 787	10 582	5 563	6 671
Trade and other receivables	217 200	204 023	210 019	196 726
Prepayments, deferred charges and accrued income	22 745	22 294	22 155	21 824
Prepaid income tax	59	43	-	-
Cash and cash equivalents	32 898	26 590	8 877	8 050
	<b>282 689</b>	<b>263 532</b>	<b>246 614</b>	<b>233 271</b>
Non-current assets held for sale	221	221	-	-
	<b>282 910</b>	<b>263 753</b>	<b>246 614</b>	<b>233 271</b>
<b>Total assets</b>	<b>5 037 077</b>	<b>5 086 614</b>	<b>4 915 005</b>	<b>4 966 805</b>
<b>EQUITY</b>				
<b>Equity and reserves attributed to owners of the Company</b>				
Share capital	603 945	603 945	603 945	603 945
Revaluation reserve	1 428 575	1 466 560	1 399 810	1 437 765
Legal reserve	60 394	60 394	60 394	60 394
Retained earnings	1 188 906	1 111 224	1 231 403	1 152 766
	<b>3 281 820</b>	<b>3 242 123</b>	<b>3 295 552</b>	<b>3 254 870</b>
<b>Non-controlling interest</b>	<b>127 469</b>	<b>126 979</b>	<b>-</b>	<b>-</b>
<b>Total equity</b>	<b>3 409 289</b>	<b>3 369 102</b>	<b>3 295 552</b>	<b>3 254 870</b>
<b>LIABILITIES</b>				
<b>Amounts payable after one year and non-current liabilities</b>				
Borrowings	566 667	299 065	566 667	299 065
Deferred income tax liabilities	328 435	333 985	325 110	330 955
Deferred income	300 174	303 942	300 174	303 942
Grants and subsidies	51 121	48 468	51 121	48 468
Non-current employee benefits	4 506	4 494	4 357	4 342
Other non-current liabilities	405	128	224	128
	<b>1 251 308</b>	<b>990 082</b>	<b>1 247 653</b>	<b>986 900</b>
<b>Amounts payable within one year and current liabilities</b>				
Borrowings	62 239	316 462	62 239	315 763
Trade and other payables	216 809	329 354	215 733	331 958
Advances received and accrued liabilities	83 733	75 071	80 129	70 771
Current income tax liabilities	13 699	6 543	13 699	6 543
	<b>376 480</b>	<b>727 430</b>	<b>371 800</b>	<b>725 035</b>
<b>Total liabilities</b>	<b>1 627 788</b>	<b>1 717 512</b>	<b>1 619 453</b>	<b>1 711 935</b>
<b>Total equity and liabilities</b>	<b>5 037 077</b>	<b>5 086 614</b>	<b>4 915 005</b>	<b>4 966 805</b>

## Statement of comprehensive income, LTL thousand

	LESTO GROUP		COMPANY	
	2014 Q1	2013 Q1	2014 Q1	2013 Q1
Sales revenue	611 426	647 353	599 861	641 026
Purchases of electricity	( 396 068)	( 457 930)	( 396 068)	( 457 930)
Depreciation and amortization	( 86 428)	( 102 550)	( 83 785)	( 99 805)
Employee benefits and related social security contributions	( 40 423)	( 40 442)	( 32 715)	( 32 873)
Repair and maintenance expenses	( 16 420)	( 9 781)	( 17 273)	( 13 247)
Transportation costs	( 2 941)	( 2 746)	( 3 833)	( 3 450)
Telecommunications and IT services	( 5 603)	( 5 737)	( 5 206)	( 5 315)
Rent and utilities	( 3 521)	( 3 286)	( 2 524)	( 2 622)
Evaluation result of other asset	( 537)	3 142	-	4 264
Other expenses	( 10 467)	( 11 503)	( 9 047)	( 10 666)
<b>Operating profit (loss)</b>	<b>49 018</b>	<b>16 520</b>	<b>49 410</b>	<b>19 382</b>
Finance income	235	982	306	1 035
Finance (costs)	( 1 779)	( 1 376)	( 1 766)	( 1 376)
<b>Finance income /(costs), net</b>	<b>( 1 544)</b>	<b>( 394)</b>	<b>( 1 460)</b>	<b>( 341)</b>
Profit (loss) on investment in associates	131	211	-	-
<b>Profit (loss) before income tax</b>	<b>47 605</b>	<b>16 337</b>	<b>47 950</b>	<b>19 041</b>
Income tax	( 7 418)	( 1 923)	( 7 268)	( 2 092)
<b>Net profit (loss) for the year</b>	<b>40 187</b>	<b>14 414</b>	<b>40 682</b>	<b>16 949</b>
<b>Gross profit (loss) for the year</b>	<b>40 187</b>	<b>14 414</b>	<b>40 682</b>	<b>16 949</b>
<b>Net profit (loss) for the year attributable to:</b>				
Owners of the Company	39 697	14 211	40 682	16 949
Non-controlling interest	490	203	-	-
	<b>40 187</b>	<b>14 414</b>	<b>40 682</b>	<b>16 949</b>
<b>Gross profit (loss) for the year attributable to:</b>				
Owners of the Company	39 697	14 211	40 682	16 949
Non-controlling interest	490	203	-	-
	<b>40 187</b>	<b>14 414</b>	<b>40 682</b>	<b>16 949</b>
Earnings per share ratio	0,066	0,024	0,067	0,028

## Statement of changes in equity, thousand LTL

LESTO GROUP	Share capital	Revaluation reserve	Legal reserve	Other reserves	Retained earnings	Total	Non-controlling interest	Total equity
<b>Balance at 1 January 2013</b>	<b>603 945</b>	<b>1 634 355</b>	<b>60 450</b>	-	<b>1 001 228</b>	<b>3 299 978</b>	<b>131 452</b>	<b>3 431 430</b>
<b>Comprehensive income</b>						-		-
Profit (loss) for the period	-	-	-	-	14 211	14 211	203	14 414
Transfers to retained earnings (transfer of depreciation, net of deferred income tax)	-	(46 443)	-	-	46 443	-	-	-
<b>Total comprehensive income</b>	-	<b>(46 443)</b>	-	-	<b>60 654</b>	<b>14 211</b>	<b>203</b>	<b>14 414</b>
Loss from increase in controlling interest	-	-	-	-	(2 406)	(2 406)	(5 620)	(8 026)
<b>Total transactions with owners</b>	-	-	-	-	<b>(2 406)</b>	<b>(2 406)</b>	<b>(5 620)</b>	<b>(8 026)</b>
<b>Balance at 31 March 2013</b>	<b>603 945</b>	<b>1 587 912</b>	<b>60 450</b>	-	<b>1 059 476</b>	<b>3 311 783</b>	<b>126 035</b>	<b>3 437 818</b>
<b>Balance at 1 January 2014</b>	<b>603 945</b>	<b>1 466 560</b>	<b>60 394</b>	-	<b>1 111 224</b>	<b>3 242 123</b>	<b>126 979</b>	<b>3 369 102</b>
<b>Comprehensive income</b>								
Profit (loss) for the period	-	-	-	-	39 697	39 697	490	40 187
Transfers to retained earnings (transfer of depreciation, net of deferred income tax)	-	(37 985)	-	-	37 985	-	-	-
<b>Total comprehensive income</b>	-	<b>(37 985)</b>	-	-	<b>77 682</b>	<b>39 697</b>	<b>490</b>	<b>40 187</b>
<b>Balance at 31 March 2014</b>	<b>603 945</b>	<b>1 428 575</b>	<b>60 394</b>	-	<b>1 188 906</b>	<b>3 281 820</b>	<b>127 469</b>	<b>3 409 289</b>

COMPANY	Įstatinis kapitalas	Perkainojimo rezervas	Įstatymų numatytas rezervas	Kiti rezervai	Nepaskirtas pelnas	Nuosavo kapitalo iš viso
<b>Balance at 1 January 2013</b>	<b>603 945</b>	<b>1 605 245</b>	<b>60 394</b>	-	<b>1 044 584</b>	<b>3 314 168</b>
<b>Comprehensive income</b>						
Profit (loss) for the period	-	-	-	-	16 949	16 949
Transfers to retained earnings (transfer of depreciation, net of deferred income tax)	-	(46 426)	-	-	46 426	-
<b>Total comprehensive income</b>	-	<b>(46 426)</b>	-	-	<b>63 375</b>	<b>16 949</b>
<b>Balance at 31 March 2013</b>	<b>603 945</b>	<b>1 558 819</b>	<b>60 394</b>	-	<b>1 107 959</b>	<b>3 331 117</b>
<b>Balance at 1 January 2014</b>	<b>603 945</b>	<b>1 437 765</b>	<b>60 394</b>	-	<b>1 152 766</b>	<b>3 254 870</b>
<b>Comprehensive income</b>						
Profit (loss) for the period	-	-	-	-	40 682	40 682
Transfers to retained earnings (transfer of depreciation, net of deferred income tax)	-	(37 955)	-	-	37 955	-
<b>Total comprehensive income</b>	-	<b>(37 955)</b>	-	-	<b>78 637</b>	<b>40 682</b>
<b>Balance at 31 March 2014</b>	<b>603 945</b>	<b>1 399 810</b>	<b>60 394</b>	-	<b>1 231 403</b>	<b>3 295 552</b>

## Cash flow statement, thousand LTL

	LESTO GROUP		COMPANY	
	2014 Q1	2013 Q1	2014 Q1	2013 Q1
<b>Cash flows from operating activities</b>				
Profit (loss) for the year	40 187	14 414	40 682	16 949
<b>Adjustment for:</b>				
– Income tax	7 418	1 923	7 268	2 092
– Depreciation and amortisation	87 188	103 273	84 545	100 528
– Asset evaluation result	537	( 3 142)	-	( 4 264)
– Amortisation of grants	( 760)	( 723)	( 760)	( 723)
– Gain (loss) on disposal and write-off property, plant and equipment	2 251	3 329	3 134	3 349
– Decrease in value of associates	( 131)	( 211)	-	-
– Finance (income)	( 235)	( 982)	( 306)	( 1 035)
– Finance costs	1 779	1 376	1 766	1 376
<b>Changes in working capital:</b>				
– Trade and other receivables	17 873	( 19 129)	5 739	( 26 592)
– Inventories, prepayments, deferred charges and accrued income	351	( 1 078)	782	500
– Trade and other payables, advances received, accrued charges and deferred income	( 58 139)	14 251	( 53 429)	17 862
<b>Cash generated from operations</b>	<b>98 319</b>	<b>113 301</b>	<b>89 421</b>	<b>110 042</b>
– Income tax paid	( 5 973)	-	( 5 957)	-
<b>Net cash generated from operating activities</b>	<b>92 346</b>	<b>113 301</b>	<b>83 464</b>	<b>110 042</b>
<b>Cash flows from investing activities</b>				
– Purchase of property, equipment and intangible assets	( 102 159)	( 102 972)	( 98 454)	( 93 900)
– Proceeds from sale of property, plant and equipment	1 089	174	2	-
– Acquisition of subsidiaries and associates	-	( 1 273)	-	( 1 273)
– Grants received	3 413	942	3 413	942
– Loan repayments received	16	49	16	49
– Term deposits	-	3 000	-	-
– Deposit guarantee funds	-	( 50)	-	-
– Interest received	( 13)	108	58	146
<b>Net cash used in investing activities</b>	<b>( 97 654)</b>	<b>( 100 022)</b>	<b>( 94 965)</b>	<b>( 94 036)</b>
<b>Cash flows from financing activities</b>				
– Proceeds from borrowings	90 298	76 473	90 298	76 473
– Repayments of borrowings	( 12 600)	( 19 631)	( 12 600)	( 19 631)
– Dividends paid to the Company's shareholders	( 40)	( 9)	( 40)	( 9)
– Interest paid	( 1 723)	( 1 734)	( 1 710)	( 1 734)
<b>Net cash used in financing activities</b>	<b>75 935</b>	<b>55 099</b>	<b>75 948</b>	<b>55 099</b>
<b>Net (decrease) in cash and cash equivalents</b>	<b>70 627</b>	<b>68 378</b>	<b>64 447</b>	<b>71 105</b>
Cash and cash equivalents at beginning of year	( 44 118)	( 31 435)	( 61 959)	( 51 920)
<b>Cash and cash equivalents at end of the period</b>	<b>26 509</b>	<b>36 943</b>	<b>2 488</b>	<b>19 185</b>

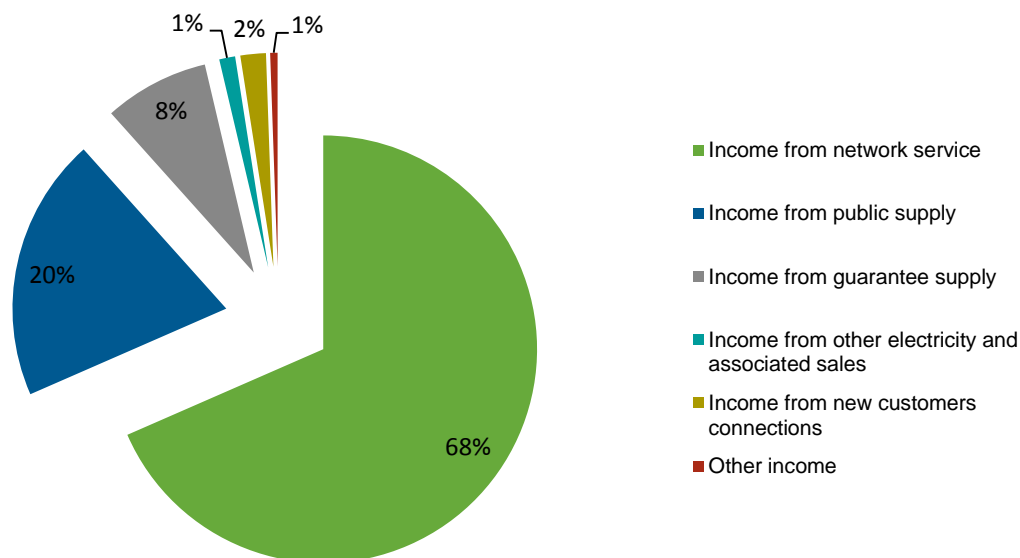
## ANALYSIS OF PERFORMANCE RESULTS

### Income, costs and profitability

LESTO group profitability ratios	2014 January - March	2013 January - March	2012 January - March
Net profit margin, %	6.57	2.23	-1.03
Operating profit margin, %	8.02	2.55	-1.15
EBITDA, LTL thousand	139,704	124,328	99,853
EBITDA margin, %	22.85	19.21	15.96
ROA, %	0.80	0.28	-0.12
ROE, %	1.18	0.43	-0.18

During the three months of 2014 LESTO group earned LTL 611.4 million, Company's income share made up 98.1 % of group income i.e. LTL 599.9 million. Comparing with the three months of 2013 LESTO group income decreased by 5.5 % and comparing with the same period of 2012 – by 2.3 % (during the three months of 2013 LESTO group earned LTL 647.4 million, in 2012 – LTL 625.8 million).

LESTO income structure



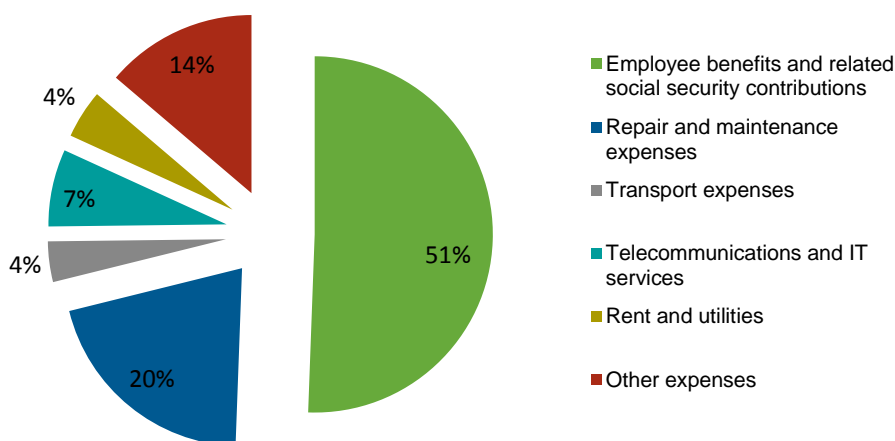
The main source of Company's income is income from network service. In the three months of 2014 income from network service made up 68 % of total Company's income. Income from public supply service consisted 20 %, income from guarantee supply for the customers that have not chosen independent supplier amounted to 8 % of Company's income. Income from connection of new customers, other electricity and associated services and income from other sources made up 4 %.

Electricity purchase costs have decreased by 13.5 % compared with the same period of 2013. Electricity purchase costs declined because some share of electricity was purchased in market seeking for the best purchase price. During the reporting period, electricity purchase costs made up LTL 396.1 million i.e. 70.4 % of total costs. Depreciation and amortization accounted to 15.4 % of total costs and the rest of the group that made up 14.2 % is classified as operating costs. During the three months

of 2014, employee benefits and related social security contributions made up 50.6 % of total operating costs, repair and maintenance accounted to 20.5 % of total operating costs.

The results of the three months of 2014 shows that LESTO group's operating costs increased by 8.7 % compared with the same period of 2013. During the reporting period repair and maintenance expenses increased by 67.9 % compared with the same period of 2013 and amounted to LTL 16.4 million. Rent and utilities costs increased by 7.2 % compared with the same period of 2013 and were equal to LTL 3.5 million, while transport expenses increased by 7.1 % and were equal to LTL 2.9 million. LESTO group's telecommunications and IT services decreased by 2.3 % and amounted to LTL 5.6 million. During the three months of 2014, employee benefits and related social security contributions have not changed comparing with the same period of last year and amounted to LTL 40.4 million.

#### LESTO operating costs structure



#### Other financial ratios and investments

LESTO group liquidity ratios	31.03.2014	31.12.2013
Current liquidity ratio	0.75	0.36
Acid test ratio	0.73	0.35
Cash liquidity ratio	0.09	0.04
Working capital, LTL thousand	-93,570	-463,677
Working capital to total assets ratio	-0.02	-0.09

LESTO group financial leverage ratios	31.03.2014	31.12.2013
Total liabilities to total assets ratio	0.32	0.34
Debt to assets ratio	0.12	0.12
Total liabilities to equity ratio	0.48	0.51
Debt to equity ratio	0.18	0.18
Net financial debt, LTL thousand	596,008	588,937
Net financial debt to equity ratio	0.17	0.17
Long-term debt to equity ratio	0.17	0.09
Equity to total liabilities ratio	2.09	1.96
Equity to total assets ratio	0.68	0.66



The value of LESTO group assets at the end of the reporting period made up LTL 5,037.1 million. Non-current assets share in total assets was equal to 94.4 %. From the beginning of the year till 31 March, 2014, value of LESTO group non-current assets shrank by 1.4 %. Cash with cash equivalents accounted to LTL 32.9 million i.e. 11.6 % of total current assets.

Equity of LESTO group exceeded liabilities 2.09 fold. At the end of reporting period, financial debts made up LTL 628.9 million or 38.6 % of total liabilities. Non-current borrowings were LTL 566.7 million and made up 90.1 % of all borrowings. At the end of reporting period LESTO amounts payable within one year and current liabilities made up LTL 376.5 million.

Current liabilities exceeded current assets by LTL 93.6 million. Current liquidity ratio stood at 0.75. Inventories made up only 3.5 % of current assets, consequently acid test ratio do not differ significantly from current liquidity ratio. Financial debt reduced by the amount of the most liquid assets (short-term deposits and cash with cash equivalents) indicates net financial debt. Net financial debt of the LESTO group amounted to LTL 596.0 million and consisted only 17.5 % of equity.

EBITDA of LESTO group during the three months of 2014 was LTL 139.7 million – 12.4 % more than during the same period in 2013.

LESTO group results for the first quarter of 2014 is a net profit of LTL 40.2 million, while LESTO group's net profit amounted to LTL 14.4 million in the same period of 2013 and LTL 6.4 million loss in the same period of 2012.

## ESSENTIAL EVENTS

In implementing its duties according to the binding legislation that regulates the securities market, LESTO announces material events (as well as all further regulated information) for the whole of the European Union. Information published by the Company is available on its website [www.lesto.lt](http://www.lesto.lt) and the website of NASDAQ OMX Vilnius AB at [www.nasdaqomxbaltic.com](http://www.nasdaqomxbaltic.com).

### LESTO essential events from 2014-01-01:

Date	Essential event
17-01-2014	Regarding the group strategy approved by the AB LESTO shareholder
28-02-2014	Due to preliminary unaudited operating results of LESTO AB company group for twelve months of 2013
12-03-2014	Regarding of the Ordinary General Meeting of Shareholders of LESTO AB
14-03-2014	Regarding resolution of LESTO AB Supervisory Board
31-03-2014	Regarding the Transfer of Shares of UAB Duomenų logistikos centras
04-04-2014	Decisions adopted in Ordinary General Meeting of Shareholders of LESTO AB on 4 April 2014
04-04-2014	Annual information of LESTO AB company group of 2013
04-04-2014	Due to operating results of LESTO AB company group of 2013
24-04-2014	Regarding public announced information
21-05-2014	Regarding the purchase of LESTO shares
22-05-2014	Regarding the acquisition price of LESTO shares
27-05-2014	AB LESTO Social responsibility report of 2013