



AB LESTO group
Interim report
for the twelve months of 2014

27 February 2015
(unaudited)



Reporting period covered by the report

Report covers January to December of 2014.

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) 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 company's website (www.lesto.lt) and Stock exchange market NASDAQ OMX Vilnius website (www.nasdaqomxbaltic.com).

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Consolidated LESTO AB (hereinafter – LESTO, Company) and its subsidiaries (hereinafter LESTO and its subsidiaries – LESTO group) 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 27 February, 2015.

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KEY OPERATIONAL AND FINANCIAL FIGURES AND RATIOS OF LESTO GROUP

AB LESTO group key activity indicators

| | | 2014 | 2013 | Change +/- | % |
|---|----------------|--------|--------|---------------|-----|
| Activity indicators | | | | | |
| Distributed electricity through medium- and low-voltage grids | <i>TWh</i> | 8.39 | 8.21 | 0.19 | 2.3 |
| Public and guaranteed supply | <i>TWh</i> | 3.22 | 3.06 | 0.16 | 5.3 |
| Electricity quality indicators | | | | | |
| SAIDI, minutes (with „force majeure“) | <i>minutes</i> | 144.04 | 153.90 | | |
| SAIFI, times (with „force majeure“) | <i>times</i> | 1.29 | 1.43 | | |

AB LESTO group key financial indicators

| | | 2014 | 2013 | Change +/- | % |
|---|--------------|-------------|-------------|---------------|----------|
| Sales revenue | thousand LTL | 2,296,666 | 2,431,162 | -134,496 | -5.5 |
| Purchases of electricity and other related services | thousand LTL | (1,515,265) | (1,667,913) | 152,648 | -9.2 |
| Operating expenses (1) | thousand LTL | (308,277) | (319,328) | 11,051 | -3.5 |
| EBITDA (2) | thousand LTL | 467,674 | 460,690 | 6,984 | 1.5 |
| EBITDA margin (3) | % | 20.36 | 18.95 | | |
| Net profit (loss) | thousand LTL | (561,191) | 47,646 | -608,837 | -1,277.8 |
| | | 2014 | 2013 | | |
| Total assets | thousand LTL | 2,947,525 | 5,086,614 | -2,139,089 | -42.1 |
| Equity | thousand LTL | 1,486,588 | 3,369,102 | -1,882,514 | -55.9 |
| Financial debt | thousand LTL | 766,791 | 615,527 | 151,264 | 24.6 |
| Net financial debt (4) | thousand LTL | 730,878 | 588,937 | 141,941 | 24.1 |
| Return on equity (ROE) (5) | % | -37.75 | 1.41 | | |
| Equity capital level (6) | % | 50.44 | 66.23 | | |
| Net financial debt / EBITDA of 12 months | % | 156.28 | 127.84 | | |
| Net financial debt / Equity | % | 49.16 | 17.48 | | |

(1) Operating expenses (OPEX) = operating expenses, excluding the costs of purchase of electricity and related services, costs of depreciation, amortisation and value impairment and costs write-offs of tangible fixed assets.

(2) EBITDA (earnings before interest, taxes, depreciation and amortisation) = pre-tax profit (loss) + interest expenses – interests revenue – received dividends + costs of depreciation and amortisation + value impairment costs + write-offs of tangible fixed assets.

(3) EBITDA margin = EBITDA / revenue.

(4) Net financial debts = financial debts – cash and cash equivalents – short-term investments and time deposits – share of other non-current financial assets comprising investments in debt securities.

(5) Return on equity (ROE) = net profit (loss), restated annual expression / equity capital at the end of period.

(6) Equity capital level = equity capital at the end of period / total assets at the end of period.

CEO LETTER

Dear investors,

Our aim to ensure the interests of electricity consumers and increase the value added by reliable electrical energy was crowned with great performance and significant achievements in 2014. We have completed the fourth year of our operation with a set of improved indicators and important victories.

Pursuing our main objective to simplify the connection of new customers we shortened the process by 20 calendar days for private clients and 11 days for business clients. In 2014 these changes were perceived by more than 26.4 thousand new customers, who connected to the Company's network.

More than 17 % increased investment in network modernization and renewal magnified electricity network reliability and efficient service to our customers.

Annual survey was performed to measure customer satisfaction with and the quality of Company's services. It revealed that, the satisfaction of business customers increased from 71 to 74 points. According to the calculations based on GCSI methodology, in 2014, LESTO overall customer satisfaction rate totaled to 76 points – same as in 2013. An average index of European energy companies last year reached 70 points, while the US rate was 76 points.

Last year, together with our partners we successfully implemented the optimization of customer service network. Postal services provider Lietuvos paštas took over part of the services. In addition, we have started the cooperation with national libraries.

It is worth mentioning the smooth and timely implementation conversion of IT systems for the introduction of new currency - Euro.

While performing efficiently, we pursued to save our and consumers costs. The operating expenses last year totaled to LTL 308.277 million (EUR 89.3 million) - 3.5% less than in 2013. Costs decreased due to optimized customer service network. In pursuing higher operational efficiency, LESTO accounting and procurement functions were centralized in Verslo aptarnavimo centras – a company which is a part of Lietuvos Energija group.

Last year, by purchasing less electricity from the combined heat and power plants, LESTO contributed in saving the funds of Public service obligations. In 2014 the demand for the funds of Public service obligations was LTL 97 million (EUR 28 million) less than in 2013. Our actions will help to ensure more reasonable prices of electricity for our consumers in the future. Savings will be assessed in the calculation of the 2016 Public service obligations price.

Our efficiency reflects in the financial results. LESTO group's EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) amounted to LTL 467.7 million – 1.5 % more compared to 2013. EBITDA margin increased by 1.41 per cent points and to 20.36 %.

LESTO Group revenues in 2014 amounted to LTL 2.297 billion (EUR 665.3 million) - 5.5% down compared to 2013. Revenues shrank due to the decrease of electricity prices to consumers.

We are pleased that our efforts are evaluated with awards - in spring we became the most responsible company of 2013. By the end of 2014 our social initiative "As much as needed" on energy saving was nominated as one of three finalists of "Corporate Social Responsibility Initiative" at Swedish Business Awards 2014. Also, - for the first time we were ranked among the Companies with best investors relations in the Baltic states.

All these achievements are each of our employee merit and incentive for further improvement. We will continue to seek that new customer connection process would become more efficient and consumer friendly, also, that efficient use of electricity would serve for business competitiveness and development of the country.

Respectfully,

Aidas Ignatavičius

Chief Executive Officer of LESTO AB



MATERIAL EVENTS FOR THE COMPANY IN THE REPORTING PERIOD

Regarding the establishment of the jointly owned company Verslo aptarnavimo centras UAB

On 21 July, 2014 LESTO together with „Lietuvos energija“, UAB, „Lietuvos energijos gamyba“, AB, UAB LITGAS and Technologijų ir inovacijų centras UAB signed an agreement on establishment UAB “Verslo aptarnavimo centras” company. One of the main objectives of the company is to strengthen and create added value in the energy sector by providing public procurement organization and execution, accounting and personnel administration services for the state-owned energy group companies.

Cooperation of LESTO and „Lietuvos dujos“

On 14 August, 2014, the country's electricity and gas distribution and supply companies started cooperation – on 14 August „Lietuvos dujos“ customer service area was launched in LESTO customer service centre located in Vilnius. This is a pilot project which aim is to evaluate opportunities for synergies in order to offer services for electricity and gas users in one place.

Both companies offer services for clients in the customer service centre which is located in Viršuliškių street 34. Four gas company's specialists will provide customer service in the newly established customer service area of „Lietuvos dujos“.

Approved long-term strategy

On 20 August, 2014, LESTO announced the Company's strategy for 2014-2020. One of the main goals enshrined in the long-term strategy is to improve the reliability of network by almost one-tenth in seven years. According to the approved long-term strategy, LESTO will seek to invest in projects that will increase a reliable and secure supply of electricity, company's value, performance and return on equity (ROE). With ambitious goals LESTO is committed to contribute for Lietuvos Energija group target – to double the value of the group of companies by 2020.

LESTO is also committed to continuing social responsibility projects, cooperation with non-governmental organizations, local self-government and academic institutions.

Long-term loan agreement

On 8 October, 2014 LESTO and AB SEB signed a long-term loan agreement according to which LESTO will be granted a loan of EUR 85 million (LTL 293.488 million). The loan will be used for outstanding loans refinancing and for financing investments that enhance network reliability and overall quality of services.

Rating of „Doing Business 2015“

On 29 October, 2014 the World Bank announced the countries' business environment rating of "Doing Business 2015". In 2014 the duration of electricity introduction for new business customers, compared to 2013, shortened by 11 calendar days. In 2014 the average term of electrical equipment connection for new resident users decreased by almost 20 days.

Due to public procurement of a long-term loan

On 20 November, 2014 LESTO informed that it intended to begin a public procurement for a long-term loan. The loan amount shall be EUR 75 million (LTL 258.96 million), loan term – five years. The funds will be used to refinance the Company's financial liabilities and also, for the working capital needs. The base interest rate shall be 1 month EURIBOR.

LESTO began to test „self-curing“ electricity network

Electricity distribution company LESTO began to try to „self-curing“ network. After installing this smart network element, more reliable electricity supply will be ensured for almost 5 thousand electricity users in the three areas of the country. If the failure occurs, circuit breakers will automatically restore the electricity supply for the users by using the other source. These circuit breakers that are mounted on supports will be firstly installed in the areas where the faults are the most common. The Company's investment in the project amounts more than LTL 1 million.

Gas and electric service in Vilnius – in one customer service center

Since 1 December, 2014 „Lietuvos dujų tiekimas“ and LESTO provide services for the residents of Vilnius region only in the modern customer service centre located in Viršuliškių street 34. The cooperation between the country's electricity and gas distribution and supply companies started in August, when the gas customer service area was launched in LESTO customer service centre located in Vilnius. The idea was successful, due to this “Lietuvos dujų tiekimas” decided to close the customer service center in Smolensko street. The natural gas distribution network operator „Lietuvos dujos“ also serves customers in the new centre. The customers' requests to connect them to the gas distribution system and to move the gas metering devices are accepted in the new centre.

ANALYSIS OF PERFORMANCE RESULTS

Valuation of fixed tangible assets

Based on report of fixed tangible assets' valuation prepared by independent company, LESTO finished the valuation process and estimated that the fair value of the tangible fixed assets (including construction in progress), dated 31 December 2014, is equal to LTL 2.357 billion – LTL 2.135 billion lower than the assets net book value dated 31 December 2014, which amounted to LTL 4.492 billion.

Cost and income approach methods were used while valuating fixed tangible assets of the Company. The valuation of assets was carried out in stages: (i) a new replacement value of asset was set, (ii) physical and functional depreciation was set. (iii) assessment on asset payback capabilities was performed (income approach). The fair value of asset determined during the valuation process is understood as defined in the IFRS 13.

When valuating economic depreciation, regulation and its effects on asset pay-off were taken into account. The principle business plan assumptions used in calculating asset's economic depreciation were the following:

- On 13 January, 2015 the National Commission for Energy Control and Prices approved a new regulatory methodology which was taken into account when preparing the business plan for the period of 10 years. The methodology was prepared in accordance with the methodological guidelines of long-run average incremental cost (LRAIC) model making (resolution No O3-287, on 5 July, 2013) and guidelines of technical-technological and economic model in networks (resolution No O3-755, on 27 December, 2013);
- The regulatory asset base (RAB) calculation assumptions were based on the Government resolution No 1026 adopted on 24 September, 2014: „Due to approval of principles of state-regulated prices in the electricity sector“. According to the resolution additional RAB component is calculated as the difference between the balance value of asset and the regulated asset base, resulting from 30 June, 2014. The additional RAB is used just for calculation of RAB return (the allowable depreciation is calculated using RAB without addition component) for a specific period.
- The discount rate was determined using the Capital Asset Pricing Model (CAPM). The received discount rate value (after taxes) is equal to 6.38 % (or 7.5 % before taxes), which was used for discounting to present value.
- RAB will grow steadily due to high capital investment in the forecasting period (investment accounts to LTL 5,307 million in the period of 2015-2024).

Sales, EBITDA, EBITDA margin

During 2014 LESTO group earned LTL 2,296.7 million, Company's income share made up 97.8 % of group income i.e. LTL 2,246.4 million. Comparing with 2013 LESTO group income decreased by 5.5 %, comparing with the same period of 2012 increased by 0.6 % and comparing with the same period of 2011 increased by 2,3 % (during the twelve months of 2013 LESTO group earned LTL 2,431.2 million, in 2012 – LTL 2,283.7 million, in 2011 – LTL 2,245.5 million).

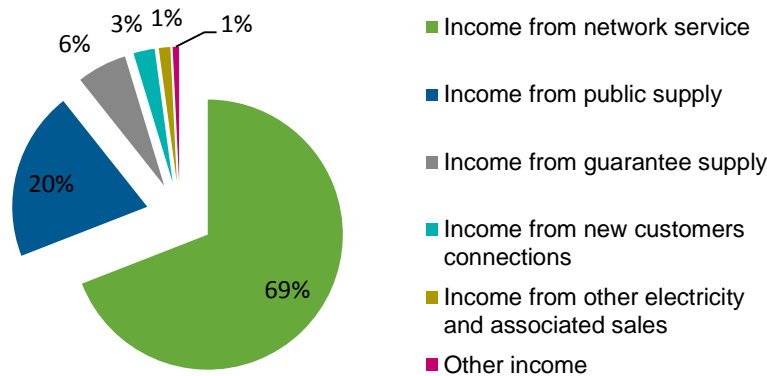
LESTO group ratios

| | 2014 | 2013 | 2012 |
|----------------------|---------|---------|---------|
| EBITDA, LTL thousand | 467,674 | 460,690 | 391,320 |
| EBITDA margin, % | 20.36 | 18.95 | 17.14 |

* EBITDA (earnings before interest, taxes, depreciation and amortisation) = pre-tax profit (loss) + interest expenses – interests revenue – received dividends + costs of depreciation and amortisation + value impairment costs + write-offs of tangible fixed assets

EBITDA of LESTO group during the twelve months of 2014 was LTL 467.7 million – 1.5 % more than during the same period in 2013.

LESTO income structure

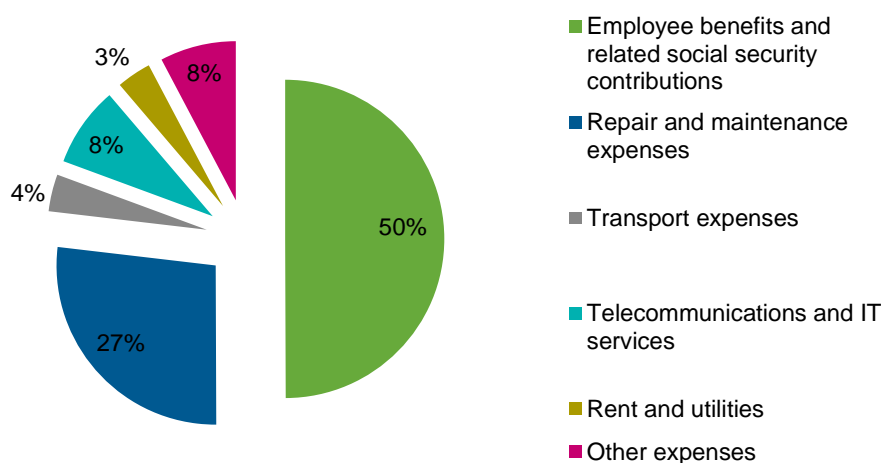


The main source of Company's income is income from network service. In 2014 income from network service made up 69 % of total Company's income. Income from public supply service consisted 20 %, income from guarantee supply for the customers that have not chosen independent supplier amounted to 6 % of Company's income. Income from connection of new customers, other electricity and associated services and income from other sources made up 5 %.

Costs

Electricity purchase and related services costs have decreased by 9.2 % compared with the same period of 2013. During the reporting period, electricity purchase and related services costs made up LTL 1,515.3 million i.e. 51.3 % of total costs. Depreciation and amortization accounted to 11.9 % of total costs. Operating expenses¹ accounted to 10.4 % of total costs, the remaining share of costs (26.4 %) consisted of revaluation and write-offs of fixed tangible assets expenses. During 2014, employee benefits and related social security contributions made up 49.9 % of total operating expenses, repair and maintenance accounted to 26.9 % of total operating expenses.

LESTO operating expenses structure



The results of 2014 shows that LESTO group's operating expenses decreased by 3.5 % compared with the same period of 2013. During the reporting period repair and maintenance expenses increased by 5.6 % compared with the same period of 2013 and amounted to LTL 83.0 million. Transport expenses increased by 6.9 % compared with the same period of 2013 and were equal to LTL 11.6 million, while rent and utilities costs increased by 1.3 % compared with the same period of 2013 and were equal to LTL 10.8 million. LESTO group's telecommunications and IT services increased by 10.4 % and amounted to LTL 25.1 million. During 2014, employee benefits and related social security contributions decreased by 3.9 % compared with last year and amounted to LTL 154.0 million.

¹ Operating expenses (OPEX) = operating expenses, excluding the costs of purchase of electricity and related services, costs of depreciation, amortisation and value impairment and costs write-offs of tangible fixed assets

Profit and profitability ratios

After valuation of assets, LESTO group results for the year of 2014 is a net loss of LTL 561.2 million, while LESTO group's net profit amounted to LTL 47.6 million in the same period of 2013, LTL 45.6 million loss in the same period of 2012 and LTL 69.3 million in the same period of 2011.

LESTO group profitability ratios

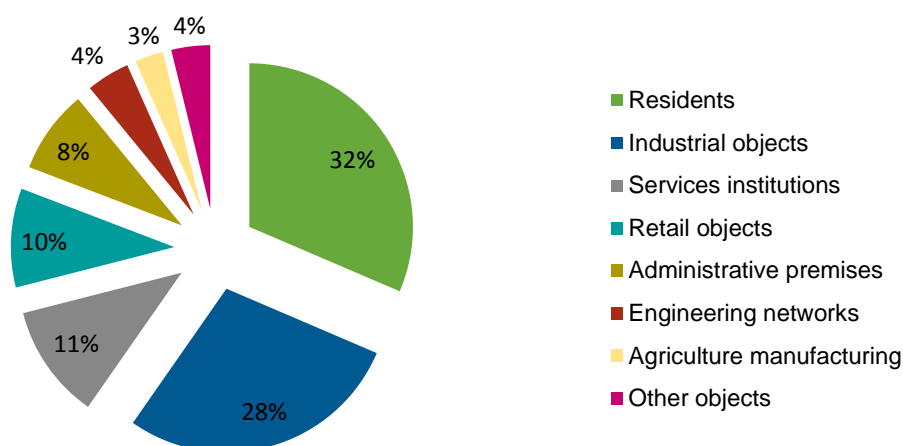
| | 2014 | 2013 | 2012 |
|----------------------------|--------|------|-------|
| Net profit margin, % | -24.44 | 1.96 | -2.00 |
| Operating profit margin, % | -28.67 | 2.37 | -2.02 |
| ROA, % | -19.04 | 0.94 | -0.88 |
| ROE, % | -37.75 | 1.41 | -1.33 |

Activity indicators

| Activity indicators | 2014 January - December | 2013 January - December |
|---|----------------------------|----------------------------|
| Amount of electricity received to the distribution network, million kWh | 9,061 | 8,874 |
| Technological losses in the distribution network, million kWh | 667 | 664 |
| Volume of network service, million kWh | 8,394 | 8,209 |
| Amount of electricity sold, million kWh | 3,223 | 3,061 |
| Electricity quality indicators: | | |
| SAIDI, minutes (with "force majeure") | 144.04 | 153.94 |
| SAIFI, times (with "force majeure") | 1.29 | 1.43 |

During the twelve months of 2014 the amount of LESTO network service reached 8,394 million kWh. Electricity sales made up 38.4 % 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 5.3 % due to the rise of guarantee supply, while the volume of network service increased by 2.3 %. Technological losses experienced by the Company during the year 2014 amounted to 667 million kWh and this totalled to 7.4 % from the amount of electricity received while during the same period of 2013 technological losses totalled to 7.5 % from the amount of electricity received.

Structure of network service volumes by objects

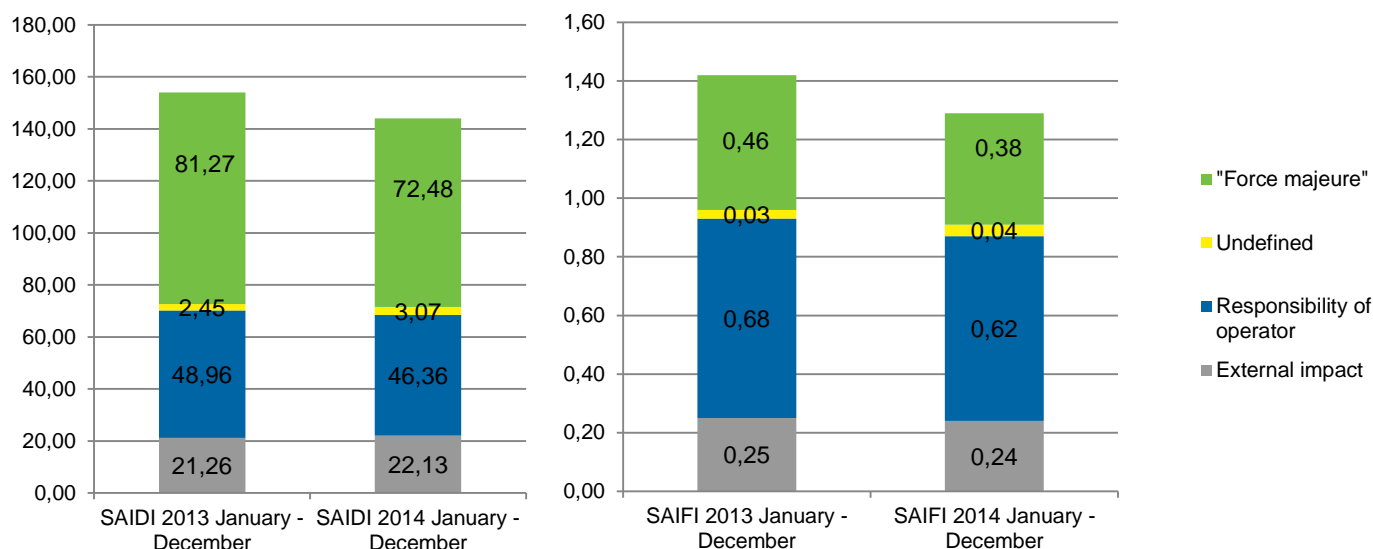


32 % of electricity network service volume was allocated to residents. Industrial and service institutions consumed 28 % and 11 % respectively. In comparison with 2013 data, the structure of electricity network service has not changed.

Distribution network reliability indexes

In the twelve months of 2014, with the influence of natural disasters (“force majeure”) the system average interruption duration index (SAIDI) per customer amounted to 144.04 minutes and, compared with the same period of 2013, it has decreased by 9 minutes (SAIDI for the twelve months of 2013 was equal to 153.94 minutes). Natural phenomena omitted, SAIDI index slightly declined during the twelve months of 2014 and amounted to 71.56 minutes (SAIFI for the twelve months of 2013 was equal to 72.67 minutes). The system average interruption frequency index (SAIFI) per customer reached 0.90 times and, compared with the same period of 2013, it has slightly decreased (SAIFI for the twelve months of 2013 amounted to 0.96 times).

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



Investments

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 twelve months of 2014, LESTO investments in electricity network expansion and modernization reached LTL 350.2 million. This is 17.3 % more compared to the investment during the same period of 2013.

During the twelve months of 2014, compared with the same period of 2013, the biggest increase was in the low voltage electricity grid (81.7 %). Investment in the medium voltage electricity grid increased by 0.4 %, compared with the same period of 2013, while investment in the buyout of electricity objects decreased by 28.8 %.

LESTO investment, LTL thousand

| | 2014 | 2013 | Change, % | Structure, % | |
|-----------------------------------|--------------------|--------------------|-------------|--------------|--------------|
| | January - December | January - December | | 2014 | 2013 |
| Investments in expansion | 172,513 | 175,453 | -1.7 | 49.3 | 58.8 |
| Connection of new customers | 171,082 | 173,442 | -1.4 | 48.9 | 58.1 |
| Buyout of electricity objects | 1,431 | 2,011 | -28.8 | 0.4 | 0.7 |
| Investments in maintenance | 177,654 | 123,007 | 44.4 | 50.7 | 41.2 |
| Low voltage electricity grid | 128,747 | 70,841 | 81.7 | 36.7 | 23.7 |
| Medium voltage electricity grid | 41,989 | 41,809 | 0.4 | 12.0 | 14.0 |
| Other investments | 6,918 | 10,357 | -33.2 | 2.0 | 3.5 |
| Total | 350,167 | 298,460 | 17.3 | 100.0 | 100.0 |

During the twelve months of 2014, LESTO has connected 26,433 new customers, 28.0 % more than in the same period of 2013 when it had 20,649 new customers connected. The permissible power for new customers was equal to 335,910 kW, which is 13.0 % more than in the twelve months of 2013, when the permissible power was 297,359 kW.

In 2014, LESTO continued reacquiring of electric power networks from gardeners' non-commercial partnerships in order to satisfy their increased needs of electric power consumption and maintenance, and to ensure reliable electric power supply and modernization of networks. During 2014, LESTO reacquired five electric power networks from gardeners' partnerships. After the acquisition process began (in 2003), LESTO reacquired 939 or 97 % of electric power networks in gardeners' partnership.

On 13 December 2013, the Company signed the contract for administration and funding of the Project "Replacement of unit transformer substations of LESTO AB by pole transformer stations" with the Ministry of Economy of the Republic of Lithuania and the LBSA (Lithuanian Business Support Agency). According to this contract, the sum allocated for funding of this Project from the EU Structural Funds amounts to LTL 7.769 million. The total value of the Project to be completed by 28 August 2015 amounts to LTL 19.423 million. The Project provides for modernization of the distribution networks, involving the replacement of 724 worn-out and obsolete unit transformer substations by modern pole transformer stations. It aims to satisfy the increased loads, as well as the requirements of electricity supply reliability and quality. The works will be carried out throughout the entire Lithuania. The target project will also contribute to the regional development. The procurement procedures have been completed by January 2015, the works have begun, 94 transformer substations have been replaced. In the course of the contract for administration and funding of the Project "Modernization and development of AB LESTO electricity distributing networks in gardeners' partnerships" signed on 29 March 2012 between the Ministry of Economy of the Republic of Lithuania, LBSA and LESTO for modernization and development of electricity networks in 76 gardeners' partnerships located in the territory of Lithuania and served by LESTO until 2015, modernization and development works on electricity networks were completed in 75 gardeners' partnerships. The sum allocated for funding of this Project from the EU Structural Funds amounts to LTL 9.147 million.

In the course of the contract for administration and funding of the Project "Replacement of AB LESTO overhead lines by cable lines" (36 objects) signed on 28 December 2012 between the Ministry of Economy of the Republic of Lithuania, LBSA and LESTO, modernization and development works have been completed in full in 35 - objects until January 2015. The sum allocated for funding of this Project from the EU Structural Funds amounts to LTL 5.408 million.

In the course of the contract for administration and funding of the Project "Modernization of AB LESTO transformer substations" (7 transformer substations) signed on 28 December 2012 between the Ministry of Economy of the Republic of Lithuania, LBSA and LESTO, modernization of 5 transformer substations have been completed until January 2015. The sum allocated for funding of this Project from the EU Structural Funds amounts to LTL 9.436 million.

Financial ratio analysis

The value of LESTO group assets at the end of the reporting period made up LTL 2,947.5 million. Non-current assets share in total assets was equal to 90.9 %. From the beginning of the year till 31 December, 2014, due to the valuation of fixed tangible assets the value of LESTO group non-current assets shrank by 44.5 %. Cash with cash equivalents accounted to LTL 35.9 million i.e. 13.4 % of total current assets.

LESTO group liquidity ratios

| | 31.12.2014 | 31.12.2013 | 31.12.2012 |
|---------------------------------------|------------|------------|------------|
| Current liquidity ratio | 0.34 | 0.36 | 0.42 |
| Acid test ratio | 0.33 | 0.35 | 0.41 |
| Cash liquidity ratio | 0.05 | 0.04 | 0.05 |
| Working capital, LTL thousand | -518,716 | -463,677 | -354,000 |
| Working capital to total assets ratio | -0.18 | -0.09 | -0.07 |

LESTO group financial leverage ratios

| | 31.12.2014 | 31.12.2013 | 31.12.2012 |
|---|------------|------------|------------|
| Total liabilities to total assets ratio | 0.50 | 0.34 | 0.34 |
| Debt to assets ratio | 0.26 | 0.12 | 0.11 |
| Total liabilities to equity ratio | 0.98 | 0.51 | 0.51 |
| Debt to equity ratio | 0.52 | 0.18 | 0.17 |
| Net financial debt, LTL thousand | 730,878 | 588,937 | 543,701 |
| Net financial debt to equity ratio | 0.49 | 0.17 | 0.16 |
| Long-term debt to equity ratio | 0.23 | 0.09 | 0.12 |
| Equity to total liabilities ratio | 1.02 | 1.96 | 1.97 |
| Equity to total assets ratio | 0.50 | 0.66 | 0.66 |
| P/E ratio* | - | 35.00 | - |
| Capitalization, LTL million | 2,081.13 | 1,626.53 | 1,257.44 |

* P/E ratio is not applicable if a company reports loss

Equity of LESTO group exceeded liabilities 1.02 fold. At the end of reporting period, financial debts made up LTL 766.8 million or 52.5 % of total liabilities. Non-current borrowings were LTL 344.8 million and made up 45.0 % of all borrowings. At the end of reporting period LESTO amounts payable within one year and current liabilities made up LTL 787.5 million.

Current liabilities exceeded current assets by LTL 518.7 million. Current liquidity ratio stood at 0.34. Inventories made up only 3.0 % 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 730.9 million and consisted only 49.2 % of equity.

FACTORS, AFFECTING THE COMPANY'S FINANCIAL RESULTS

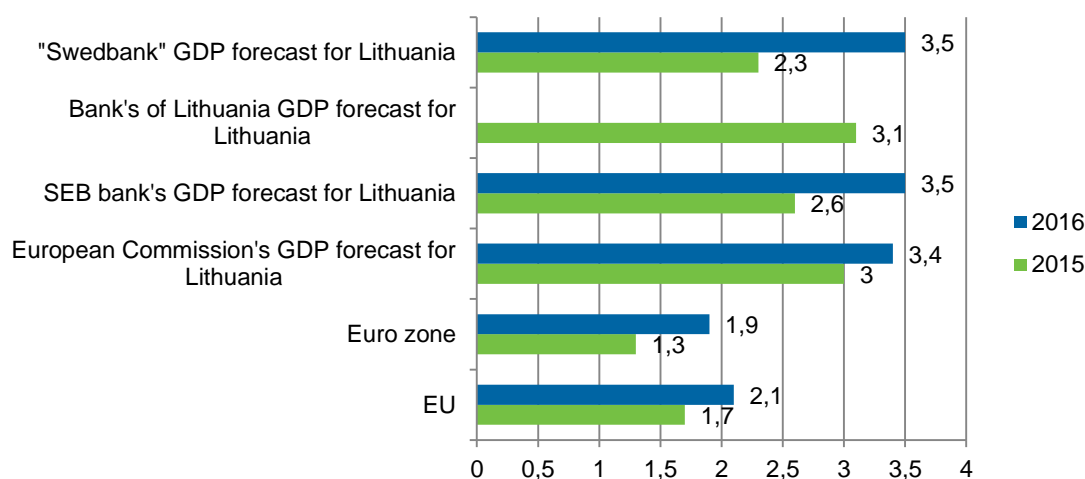
Business environment

The pace of the recovery of Europe was still quite slow in 2014, the main engine of growth was private consumption. For the first time since 2007, the economies of all European Union Member States are expected to grow again, according to the European Commission's updated forecast. Growth prospects across Europe are still limited by a weak investment environment and high unemployment. However, decrease of oil prices, the depreciation of the euro against US dollar and the execution of investments provided in the European Commission presented Investment Plan for Europe should have a positive impact on economic growth. It is forecasted that the European Union's gross domestic product growth will reach 1.7 %, while the euro zone's – 1.3 % in 2015. Meanwhile, in 2016 it is expected the Economic growth of 2.1 % and 1.9 % respectively².

During the three quarters of 2014 the real gross domestic product of Lithuania, compared to the same period of last year, increased by 3.1%. Lithuania's economy is expected to maintain growth of 3.0% in 2015, despite a fall in exports to Russia. Domestic demand is set to remain the main growth engine, as employment and real disposable incomes, while inflation remains in a low level. The European Commission forecasts that Lithuania's real GDP will grow by 3.4 % in 2016.

Meanwhile, forecasts of economists from Lithuania's banks are more cautious. In December, 2014 economists updated their previous macroeconomic forecast and reduced growth prospects. Due to the sluggish recovery in the euro zone, Lithuania's limited export opportunities in the European Union and Russia and the worsening domestic market expectations, the analysts of SEB bank reduced the GDP growth forecast from 3.2 % to 2.6 % in 2015 and from 4.0 % to 3.5 %³ in 2016. "Swedbank" analysts also reviewed the prospects of Lithuania's economy and reduced GDP growth forecast to 2.3 % in 2015, while they predict the growth of 3.5 % in 2016⁴. In December Bank of Lithuania also reviewed the economic growth forecast for 2015 and reduced it from 3.3 % to 3.1 %⁵.

The gross domestic product growth forecast for Lithuania, European Union and euro zone in 2015 and 2016, %



Since electricity consumption is closely related to the gross domestic product growth, the economic growth will affect the results of LESTO. According to the economists' macroeconomic forecasts, it is planned that the volume of network service will increase in 2015, compared to 2014.

Change of LESTO network service's volume effect on LESTO income*

| Change of network service, % | Change of income, LTL thousand |
|------------------------------|--------------------------------|
| +1% | 22 300 |
| -1% | -22 300 |

* Supposing that the tariffs established by the National Control Commission For Prices and Energy for 2014 are applied.

² Data source: European Commission. European Economic Forecast Winter 2015: European Economy 1/2015.

³ Data source: Lithuanian Macroeconomic Overview No. 58, December, 2014

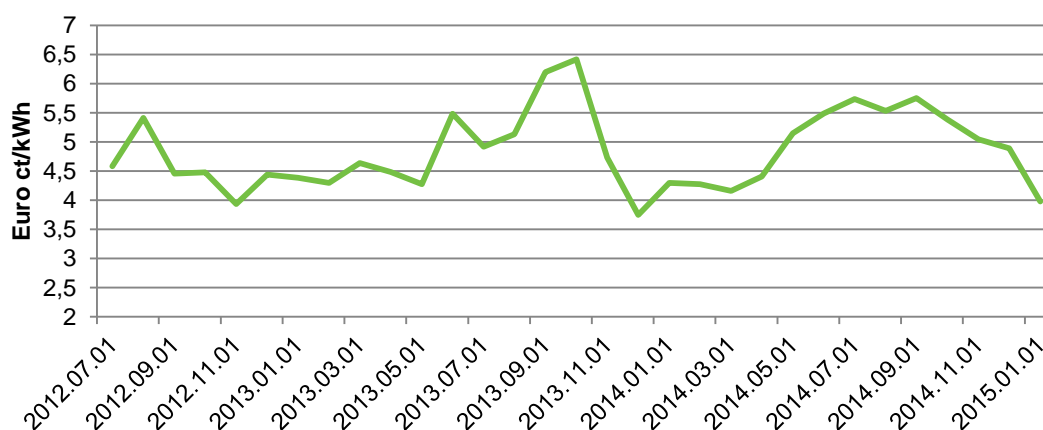
⁴ Data source: „Swedbank“ economy review. 27 January, 2015

⁵ Data source: Lietuvos bankas. Economic Outlook for Lithuania, 11 December, 2014.

Situation in electricity market

The average price of electricity in Nord Pool Spot Exchange Lithuanian trade zone was 50.13 EUR/MWh in 2014 and, compared with 2013, increased by 2.5 %. The average monthly market prices of the first four months of 2014 were lower than in the same period of 2013, while from May to August prices were higher. One of the main reasons of such increase was the price of electricity sold by participants and importers in the market, as well as the repair of Kaliningrad thermal power plant. What is more, as every summer line repairs were scheduled and permeability of used lines decreased because of hot weather in the summer months, leading to a decrease of opportunities to import electricity from the North. The prices slightly grew at the end of 2014 due to drier than normal autumn and lower hydroelectric power production. In Lithuania 10,849 GWh electricity was purchased in the market in 2014.

The average monthly prices in the electricity market



The difference between Nord Pool Spot exchange system and Estonian trade area prices at the end of December showed that, compared with Nord Pool Spot exchange system price, the price of electricity can increase by 8.75 EUR/MWh in Estonia in the first quarter of 2015 and by 8.35 EUR/MWh during all 2015. In November, 2014 derivatives were started selling in Lithuanian/Latvian electricity trade area. The difference between Nord Pool Spot exchange system and Lithuanian/Latvian trade area prices at the end of December showed that, compared with Nord Pool Spot exchange system price, the price of electricity can increase by 13.0 EUR/MWh in the first quarter of 2015. It is forecasted that the price of electricity in Lithuanian/Latvian trade area will increase by 16.65 EUR/MWh in 2015, more than double compared with Estonian trade zone.

According to proposed futures prices in the Nordic financial market on 23 December, 2014, it is expected that the average price in Estonian price area will be 39.3 EUR/MWh and in Lithuanian/Latvian electricity trading zone - about 47.9 EUR/MWh in 2015. This reflects the expectations of market participants for the year 2015: the market price of electricity, compared with 2014, will slightly increase in Estonian trade zone, but fall in Lithuania's and Latvia's trade zones⁶.

Price caps for 2015

The governmental policy regarding electricity prices is significant to the Company's activities. Service prices are controlled, price caps are set and controlled by the National Control Commission For Prices and Energy. On 19 December, 2014 the National Control Commission for Prices and Energy established the following price caps of the electricity distribution service for 2015:

- electricity distribution service received via medium voltage network – 4.068 ct/kWh or 1.178 euro cents/kWh (2014 – 4.479 ct/kWh or 1.297 euro cents/kWh);
- electricity distribution service received via low voltage network – 5.351 ct/kWh or 1.550 euro cents/kWh (2014 – 6.162 ct/kWh or 1.785 euro cents/kWh).

On 19 December, 2014 the National Control Commission for Prices and Energy established the price cap of 0.481 ct/kWh or 0.139 euro cents/kWh for 2015 on public electricity supply services (2014 – 0.52 ct/kWh or 0.15 euro cents/kWh).

⁶ Data source: Electricity Market Overview, December of 2014 [interactive]. Watched 2015-02-09. Link: <http://www.litgrid.eu/index.php/elektros-rinka/rinkos-apzvalgos/798>

On 19 December, 2014 the National Control Commission for Prices and Energy established the price cap of 29.748 ct/kWh or 8.616 euro cents/kWh (excluding VAT) for private customers who receive electricity via medium voltage network and the price cap of 35.099 ct/kWh or 10.165 euro cents/kWh (excluding VAT) for private customers who receive electricity via low voltage network on public electricity prices for 2015 (2014 – 31.616 ct/kWh or 9.157 euro cents/kWh, excl. VAT and 2014 – 37.778 ct/kWh or 10.941 euro cents/kWh, excl. VAT, respectively).

If the predicted economic growth confirms, the price changes can have a significant negative impact on the Company's financial results.

Strategy and goals

In 2012–2014, the Company worked in accordance with the long-term strategy for 2012–2020. The decision to review the strategy for the period of 2014–2020 was due to the changes of the external environment (establishment of new management model, Board of Directors, Supervisory Board and regulation mechanism).

Strategy outline

The foundation of LESTO strategy is its organisational culture built on reliability, effectiveness, high reputation, and values. LESTO mission is reliable electricity energy creating value for everyone. The reliability stated in the mission is interpreted as the assurance of adequate financing, effective investment, and responsible decision-making.

LESTO vision is the company with high reputation that employees, shareholders and the public are proud of. The vision emphasises the orientation towards high quality services, maximum transparency of operations, and assurance of financial stability.

Implementation of the mission, pursuit for the vision, and all LESTO daily activity is based on the following corporate values:

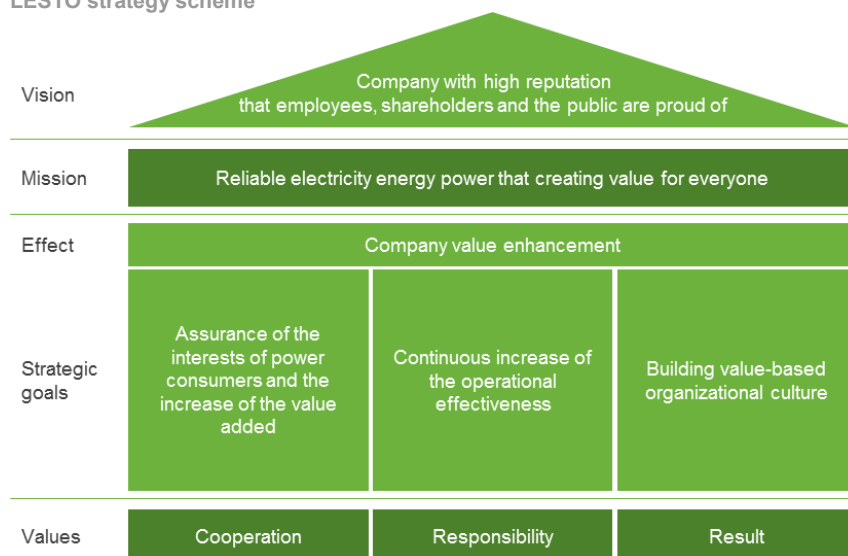
1. Cooperation
2. Responsibility
3. Result

All the elements above are considered essential prerequisites in pursuit of the key strategic goal – the enhancement of Company's value. Enhancement of the Company's value is perceived as a sustainable balance among the strategic directions that are associated with the relevant perspectives of the Balanced Score Card methodology:

1. Assurance of the interests of power consumers and the increase of the value added (**Customer perspective**).
2. Continuous increase of the operational effectiveness (**Internal processes perspective**).
3. Building value-based organisational culture (**Employee education perspective**).

Consistent implementation of these directions provides with a balanced pursuit of the main strategic goal enhancement of value (Financial perspective).

LESTO strategy scheme

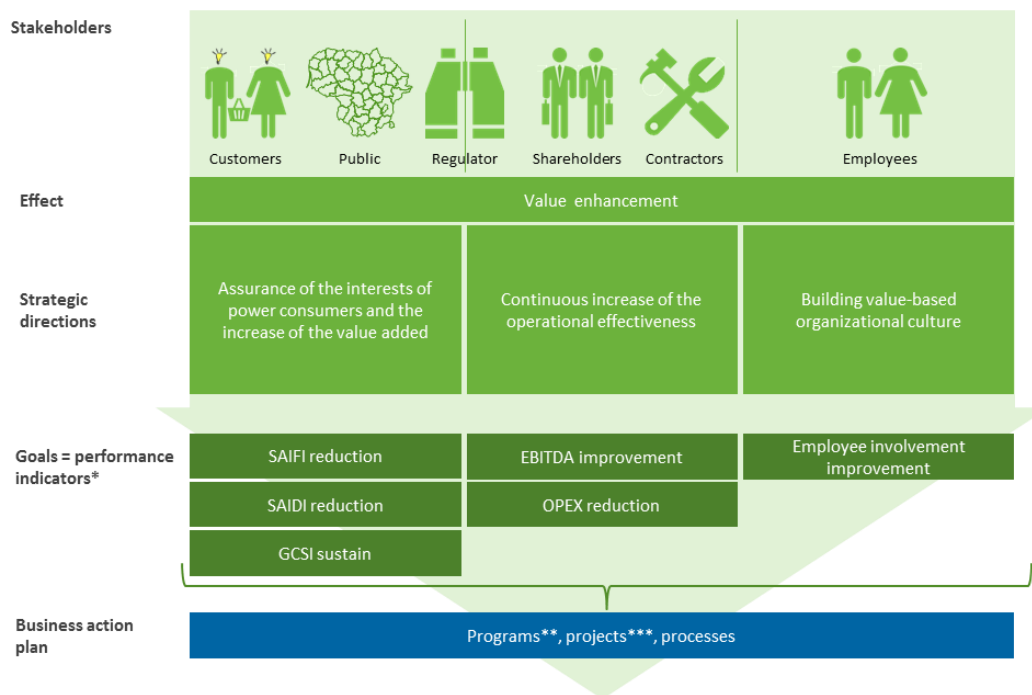


Stakeholders

In pursuit of the well-balanced strategic directions, Company focuses on the interests and expectations of the stakeholders. An internal and external analysis has singled out the following most important stakeholders: shareholders, customers, society, employees, regulator and contractors.

The Company's strategic directions should reflect the interests of major stakeholders. The following scheme shows LESTO stakeholder needs expressed through strategic directions. Each strategic direction is related to one or several stakeholders. Based on this logic, specific goals and KPIs are presented for the monitoring of the assurance of the stakeholder interests.

Linking LESTO stakeholders and strategic directions



* Indicator is a numerical expression i.e. the target.

** In accordance with PMP®, programmes may consist of projects and linear business processes.

*** Projects may be enacted in accordance with: (1) LESTO project management procedures, (2) as transformations of business processes.

Goals and KPIs

The main goals define what is most important for the Company and where the main focus should be placed in organising the business processes and setting priorities. Table shows 6 key performance indicators of LESTO together with the interim and final values for the period of 2015–2020.

Brief explanations the indicators and their significance in measuring business processes are given below:

EBITDA, OPEX reflects the Company's performance, financial stability and the value of the company.

SAIDI, SAIFI shows the reliability of the power distribution network and quality of its maintenance.

GCSI aims at assessing customer satisfaction in all the services provided by the Company.

The employee involvement indicator shows the employee commitment to LESTO mission and values.

LESTO main operational indicators and their values for 2015–2020

| | 2015 | 2016 | 2020 |
|-------------------------|------|------|-------------|
| SAIDI, min. | 70.6 | 69.2 | 63.8 |
| SAIFI, times | 0.95 | 0.94 | 0.89 |
| GCSI, score* | 76 | | |
| Employee involvement, % | 43 | 46 | 62 |

OPEX, EBITDA Values are not made public

*The value of the indicator is set significantly higher than the average of utility companies in Europe (i. e. at least +3 points).

Investment plan

On 3 February, 2015, LESTO announced investment plan for 2015-2025. Over the coming decade LESTO plans to carry out substantial modernization of its distribution network. Seeking to ensure reliable, safe and smartly managed services, the Company intends to invest LTL 5.87 billion (EUR 1.7 billion) into the modernization and renewal of the network by 2025.

The company plans to make the largest investment – LTL 1,764.38 million (EUR 511 million) – into making the network more resistant to climatic phenomena. Thus, overhead lines will be replaced by subterranean or isolated overhead lines. It is planned to increase the number of such lines from 25% to 40% or build 18 thousand kilometers of underground and isolated lines over the next 11 years.

It is intended to invest LTL 1,470.89 million (EUR 426 million) into the “Safe and reliable network” program. In the course of the program, unsafe transformers, cable lines and distribution facilities will be replaced by modern equipment corresponding to current standards.

Finally, it is planned to invest LTL 455.77 million (EUR 132 million) towards the improvement of the power voltage quality. This will resolve the problem of inferior voltage for 41 thousand users by fixing almost 9,100 km of lines affected by drops in voltage.

LESTO intends to invest LTL 117.4 million (EUR 34 million) into the smart network projects. By 2025, it is planned to implement 7 projects, including the pilot projects of network automation and smart meters, introduction of a single control center and distribution network control system.

The remaining investments will be allocated to the connection of new users, IT systems upgrade and other measures.

LESTO aims to make the investments gradually, so as to minimize the effect on electricity rates. Investments will have a positive impact on the national economy. The Company plans to finance the investments using funds collected from power distribution activities and long term credits.

Risks and risk management

Risk Management Policy

Risk management system of the Company is based on the following principles: COCO (Committee of Sponsoring of the Treadway Commission) ERM (Enterprise Risk Management), AS/NZS ISO 31000:2009 (Risk Management – Principles and Guidelines) and ISO/IEC 27005:2011 (Information technology – Security Techniques – Information Security Risk Management).

LESTO understands risk as uncertainty for achievement of objective, conditioned by potential events and their possible consequences. The goals of the Company performance are understood extensively; they include both the goals of common character concerned with the long-term strategy and the action plan, and particular goals concerning individual business processes of the Company. Risk management of the Company is based on assessment of possible negative influence affecting goals of the Company and goals of its performance functions (processes) as well as results. Risk identification, analysis, assessment and management is pursued systematically in accordance with risk management policy valid in “Lietuvos energija”, UAB and risk management procedures approved by the Company, and other risk management related internal legislation.

The main LESTO risk management principles:

- risk management creates and protects the value created, while management scenarios and measures are selected so as to contribute to the achievement of the Company’s objectives and performance improvement;
- risk management is integrated into the Company’s business processes and associated with the planning process, the level of risk trends are constantly observed by monitoring performance of the Company;
- risk management is an integral part of the decision-making;
- risk management is adapted to the internal and external environment and the nature of the risks;
- risk management is systematic, structured and timely;
- risk management is dynamic, responsive to changes and repetitive;
- risk management process is transparent and comprehensive. This process involves the Company’s employees of all levels. The adequacy and reliability of the risk is ensured by the risk management committee performing the functions of

the Company's management board and at Lietuvos energija, UAB, group level - the Supervisory Board Risk Management Committee.

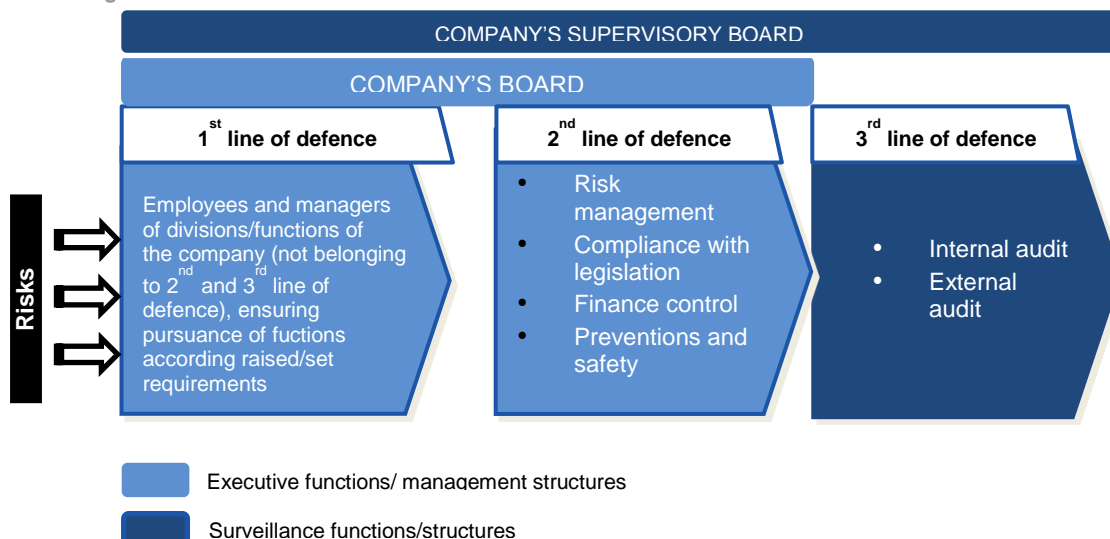
Periodic risk identification and evaluation cycle when activity (process) results residual risk and risk management means intensification runs every year during activity targets planning. During this cycle risks which can have a negative impact on activity targets and results are set. Set risks are evaluated considering their chance of occurrence and possible effect on activity goals and results. For the risks assessed in such way, when complex assessment of probability and effect exceeds risk tolerance limits, risk management measures are selected, after which implementation probability and (or) effect should be minimized insofar as risk having influence on the goals and results should be found within risk tolerance (risk appetite) limits. Also risks can be evaluated unplanned before taking a meaningful decision for Company or after meaningful change of internal or external situation. Used risk management measures are directed at avoidance of risks, their minimisation, transfer and (or) assumption as by assessing their effect to implementation of goal set forth by the Company as well as its activities' continuity considering costs and efficiency of risk reducing measures. The Company strives at managing all the risks that might critically influence activity goals and its success, independent of their probability. Residual risk correspondence to risk tolerance, occurrence of new risks, and relevance of introduction of risk management means that risk management plan is revised once per quarter.

The Company's risk manager develops risk management system and coordinates risk management process. The owner or manager of activity process or division, the results of which can be negatively influenced by the risks, is responsible for setting the measures, their influence analysis and assessment with respect to activity functions (process) as well as drafting and implementing schedule of risk management measures.

Risk management and control model

For the management and control of risks encountered during its performance, the Company applies the principle of "three lines of defence" in order to set clear sharing of responsibilities, risk management and control between management and supervisory bodies of the Company, and structural divisions or functions.

Risk management and control model scheme



"The First line of defence" is represented by employees and managers of the Company (that are not named under the 2nd and 3rd lines of defence), those who perform activity functions attributed to their competence and (or) who ensure pursuance of performance functions according to their supposed/set requirements, i.e. employees and managers making transactions and (or) pursuing main activities of the Company and organising management and ancillary functions (that do not belong to the 2nd and 3rd line of defence). Managers and employees of functions/divisions, who belong to the 1st line of defence, pursue activities within the limits of their competence in order to reach set goals, undertake risks concerned with relevant activity/function, and are responsible for repression of these risks as well as implementation of internal control elements to processes under their responsibility.

"The Second line of defence" is represented by risk management, compliance with legislation, financial control and

prevention and safety functions/divisions:

- A person, responsible for risks management, is responsible for the creation of appropriate risk management and control systems, organisation of risk management process and risk management control;
- Law department ensures that the Company's directors and workers decisions comply with regulatory requirements;
- Financial control division ensures proper control of financial resources;
- Prevention division is responsible for organisation and control of risk prevention management measures concerned with risk of abuse and natural and informational safety of the property.

The Company's Management Board, performing the functions of Risk management committee, is responsible for relevant management and control of risks covered by the 1st and 2nd lines of defence.

"The Third line of defence" is represented by internal audit division of the Company and an external audit company. Employees of internal audit division assess risk management and internal control efficiency and efficacy, submit recommendations for risks management and control improvement. External audit enterprise hired by the Company submits its findings about correctness of the Company's financial accountability and risk management and control efficacy no less than once per year.

The Director of internal audit division of the Company is accountable to the Supervisory Board and regularly provides information about the risk management and internal control efficiency to the Board of the Company, the Supervisory Board and (or) audit committee established by the Supervisory Board of "Lietuvos energija" UAB.

The Company's risk manager regularly submits summarized information on risk management and control questions to director of Risks and processes management in "Lietuvos energija" UAB.

According to its set competence, the Risk management supervisory committee of Lietuvos energija, UAB Supervisory Board executes supervision on risk management and control efficiency covering all three lines of defence.

Risks in the Company's Activity and Management Thereof

The main types of risks which the Company encounters while carrying out its activity are as follows:

- strategic risk;
- legal compliance risk;
- operational risk;
- financial risks.

Strategic Risk Management

Strategic risk. In the scope of the Company's operations risks assigned to this group are associated with the planning, unfavourable or false operating decisions, improper implementation of decisions or inadequate/overdue response to political, regulatory or technological and/or scientific (innovation applicability) changes. Market, reputation, damage to the environment and natural resources risks arising from improperly set strategy directions and depending from the sources of risk, can also be attributed to this category. Important factor of macroeconomic risk is the price of electricity production (or import) in the market. This price directly influences the cost of electricity. The cost of public supply is controlled and fixed irrespective of the cost of electricity existing on the market at the time.

The Company's income and profit from transmission and supply are directly dependent on the electricity transmission/consumption scopes. Macroeconomic situation of the country has direct influence on energy selling trends, connection of new consumers and solvency of the clients. The Company manages this risk by conservative planning of electricity consumption and sales income.

When operating and expanding the distribution network LESTO buys equipment and materials the prices whereof depend on the market trends. The costs of LESTO network operation and investments to the grid, which have an impact on the LESTO financial results, are dependent on the prices of said goods. In order to optimise investments and costs for network operation and development the Company applies the investment rating method based on objective criteria compliant with the Company's priorities subject to the electricity distribution network operation and development.

Political risk factors are also taken into account. Electricity distribution and supply procedure is regulated by the Law on Electricity of the Republic of Lithuania. Amendments of said law and other related legal acts may affect the LESTO activity

and results. The governmental policy regarding electricity prices is also significant. Service prices are controlled, price caps are set and controlled by the National Control Commission For Prices and Energy. Results of the LESTO activity depend on said decisions. In order to mitigate the effect of said risk on business results the Company analyses international practice of energy company control and, if necessary, presents proposals to national legislative drafting bodies.

By implementing electricity distribution, public and guarantee electricity supply function, the Company seeks to achieve the highest standards of reputation. This aspiration is reflected in the Company's mission, vision, strategic goals and values. The Company's managers pay great attention to the communication of the Company's mission, vision, strategic goals and values for the employees. In addition, the Company carries out social projects that consolidate the image of a socially responsible Company.

Legal Compliance Risk Management

Legal compliance risk is understood as the risk arising from the changes of regulatory, legal environment or specific areas where the specific modifications were legitimized, but they are not properly or timely transferred into the Company's internal documents or there is no possibility to implement these requirements timely and/or in full extent because of the Company's nature of business. This group of risk can also be associated with risk of compliance with various standards or certifications. That is the increase of losses and (or) loss of prestige and (or) reduction of trust, which might be influenced by external environmental factors or internal factors (for example, internal legislation violations or violations of ethical standards, abuse cases of the employees, etc.).

Legal and Administration Department is responsible for the legal compliance risk management. In order to mitigate the legal compliance risk the Company's lawyers participate in the processes of decision making, preparation of internal regulations and contract drafting jointly with the Company's management.

Operational/business Risk Management

The operational/business risk is understood as the risk of loss/not receive expected revenues, the uncertain business continuity or pose a threat to employees and/or the environment, as well as the loss of confidence due to inadequate or unimplemented internal control procedures, improperly organized and managed processes, employees' errors and/or illegal actions and information systems disorders or external factors. This category includes the risks related with inappropriate management of human resources, organization microclimate, failure to secure employees' safety and health, civil, physical, fire safety, inadequate/insufficient information technology, information security failure, improper management of contracts, inefficient control of internal systems, failure to secure the quality of products/services/works, the quality of customer service, damage to the environment, nature or inefficient processes. The management of the reliability of electricity distribution disruption is very important to the Company's activities. One of the main factors, which characterise performance of distribution network operator, is reliability of electricity distribution, assessed according to duration and frequency of disconnections related to the consumers (English abbreviation – SAIDI, SAIFI). By the reason of incalculable external factors, such as natural disasters, the risk that reliable electricity supply may not be secured and LESTO will not receive its scheduled income and elimination of certain failures will increase exploitation costs exists. The Company has developed comprehensive emergency response procedures with respect to the management of said risk. Also for increasing reliability and quality of supplied electricity, LESTO plans to allocate major part of investments to renovation of distribution networks, reconstruction of electrical transformer substations and installation of new, long-term and modern electrical equipment compliant with the quality standards; it also searches for technological decisions that shall ensure continuous control of operating distribution network condition, prompt failure elimination and prevent electricity supply malfunctions.

Financial Risk Management

Market risk is loss or loss of future net income risk due to changes of interest rates, foreign exchange rates, shares or market products' prices.

Liquidity risk is risk that Company will not be able to accomplish fulfill their financial commitments and (or) can be forced to sell their financial actives and incur losses due to liquidity in the market.

Credit risk is risk of losses that clients and (or) other parts will not be able to fulfill their commitments to the Company.

INFORMATION ON THE ISSUER'S SECURITIES AND AUTHORISED CAPITAL

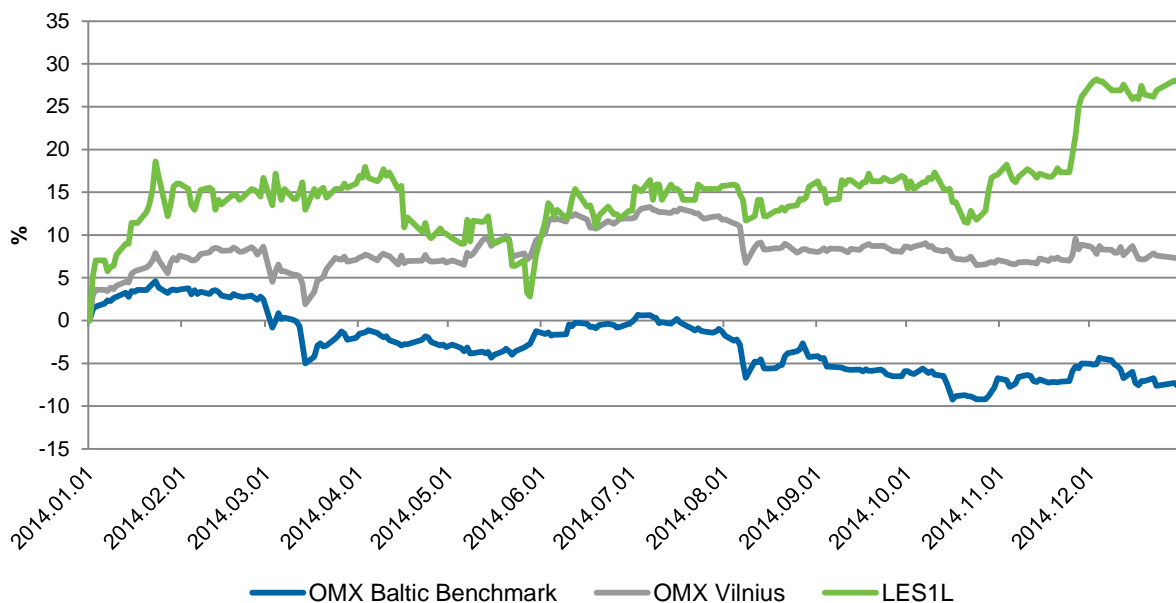
LESTO share price dynamics and turnover

LESTO share price dynamics and turnover, 17-01-2011 - 31-12-2014



LESTO is one of the biggest companies by market capitalization in OMX Baltic securities exchange market. During the twelve months of 2014 LESTO share price increased by 21.71 %. The lowest LESTO share price was recorded on 28 May, 2014, the price of LESTO share was LTL 2.77. The highest point (LTL 3.45) during the reporting period was reached on 3 December, 2014. The weighted average price of LESTO share during the reporting period was LTL 3.10.

Dynamics of LESTO share price, OMX Vilnius and OMX Baltic Benchmark indexes, 01-01-2014 - 31-12-2014



Since the beginning of the year until 31 December, 2014, index OMX Vilnius increased by 7.31 %, OMX Baltic Benchmark decreased by 7.65 %, while price of LESTO share increased by 21.71 % during the twelve months of 2014.

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.

Rights and obligations granted by shares

All ordinary registered shares grant the same rights. Property and non-property rights are defined in the law, other legal acts and Articles of Association.

Significant agreements to which the Issuer is a party and which would come into effect, change or would be terminated if the control of the issuer changed, as well as effects thereof, except in cases where revelation thereof would cause considerable damage to the issuer due to the nature of such agreements

The Company has not entered into significant agreements which would come into effect, change or would be terminated if the control of the issuer changed.

Information about harmful transactions made by the Issuer during the reporting period, which had or might have negative impact for the Issuer's activity and (or) activity's results, also the information about transactions which are made in conflicts of interest among executives of the Issuer, controlling shareholders or other related parties duties and their private interests and (or) other duties. It is necessary to disclose significant agreements' meaning, conditions, format of conflicts of interests and their influence for the agreement.

During the reporting period the Issuer did not make any harmful transactions (which do not meet Company's objectives, existing normal market conditions, violate shareholders or other groups interests and other) and did not make any transactions made in conflicts of interest among executives of the Issuer, controlling shareholders or other related parties duties and their private interests and (or) other duties.

Procedure for amending the Articles of Association

The General Meeting of Shareholders has the right to amend the Articles of Association of LESTO and its subsidiaries.

Restrictions on the transfer of securities

No restrictions are imposed on the transfer of LESTO securities.

Subsidiaries

On December 31, 2014, subsidiaries of LESTO (NT Valdov, UAB and UAB "Elektros tinklo paslaugos") had no directly or indirectly controlled share stakes in other companies.

Information about branches and representations

There are no branches and representations of the Company.

Information about committees

There are no committees in the Company.

Total number of shares acquired and the number and par value of own shares. Own shares as a percentage of the share capital

LESTO had no own shares prior to the accounting period and did not acquire any own shares in 2014.

The number of acquired and transferred own shares during the reporting period, their nominal value and the part of the share capital represented by such shares

The Company did not acquire or transfer its own shares in 2014.

Information on payment for own shares if these shares were acquired or transferred with charge

The Company did not acquire or transfer its own shares in 2014.

Reasons for acquisition of own shares in the accounting period

The Company did not acquire its own shares in 2014.

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 |

Shareholders

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

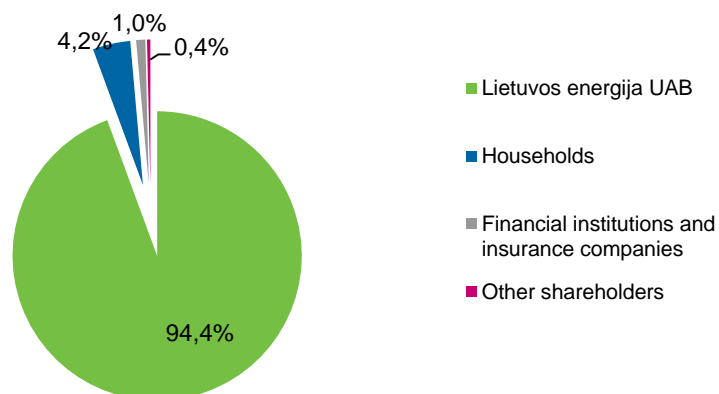
On December 31, 2014 the number of LESTO shareholders amounted to 7,065.

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, 31-12-2014

| Country | Number of shareholders |
|-----------------|------------------------|
| Lithuania | 6,867 |
| Russia | 48 |
| Belarus | 38 |
| Estonia | 31 |
| United States | 19 |
| Latvia | 13 |
| Other countries | 49 |
| Total | 7,065 |

LESTO distribution of holdings according to holder groups on 31 December, 2014



Agreements between the shareholders which are known to the Issuer and due to which the securities transfer and/or voting rights may be subject to limitations

No agreements between the Company's shareholders due to which the securities transfer and/or voting rights may be subject to limitations are known to the Company.

Restrictions on voting rights

No restrictions on voting rights are known to the Company.

The Issuer's bodies authorities to issue and to buy shares

The decisions to issue or to buy the Issuer's shares can be made by General Meeting of Shareholders by the Republic of Lithuania law.

Shareholders who owned more than 5 % of the issuer's authorized capital on 31 December, 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 | 570,066,682 | 94.39 | 94.39 |

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.

On 30 September, 2014, the Extraordinary General Meeting of Shareholders made a decision to pay out dividends for the period shorter than financial year. Company's distributable profit for the six months period ended on 30 June, 2014 was LTL 66.4 million. Dividends for the six months period ended on 30 June, 2014, per share amounted to LTL 0.11.

LESTO securities account manager

Since 13 June, 2014, bank SEB, AB is official manager of LESTO security account.

Contact details of SEB, AB:

Gediminas ave. 12, LT-01103 Vilnius

Tel. 1528 or +370 5 268 2800

CUSTOMER SERVICE, SERVICE ASSESSMENT

The Number of the Customers Served

On 31 December, 2014, LESTO had 1.561 million contracts with private clients and 66.2 thousand contracts with business clients (in 2013, LESTO had 1.545 million contracts with private clients and 63.7 thousand contracts with business clients).

Service Channel Development

In 2014, the number of customers using the remote service channels (self-service website www.manoelektra.lt and customer service 1802) increased, while the flow of electrical energy users in LESTO customer service centers of smaller towns decreased. Due to changing customer needs, the activities of 14 LESTO Customer Service Centres that had a relatively small number of customers were transferred into seven largest Customer Service Centres from 1 October. During the fourth quarter of 2014, many important services were introduced in self-service website (applications for signing or terminating the electricity purchase / sale agreement, functionality of changing a payment plan (tariff) for business clients). In the beginning of 2015, the currency of the electricity rates (tariffs) and amounts payable were changed to euros at the self-service website.

On 31 December 2014, there were 513 thousand of registered users in the self-service website www.manoelektra.lt, including 464 thousand domestic users. During 2014, the number of the self-service website www.manoelektra.lt (in comparison with the same period of 2013) increased from 2.404 million to 3.044 million.

During 2014, more than 1 million clients received information via the short client service telephone 1802 (during relevant period of the year 2013, 938 thousand clients were served), more than 434 thousand requests of clients on various questions were received and solved (during relevant period of 2013, 471 thousand requests of clients were received and solved).

During 2014, more than 252,076 thousand clients were served by Customer Service Centres located in the five largest Lithuanian cities (in 2013, 282,739 clients were served).

Maintenance and Development of Accounting for Electricity

By investing in modernization and automation of electricity metering devices during the year 2014, the Company connected 5,043 pieces of electricity metering devices to computer-assisted power recordings reading system, thus increasing the number of electricity metering devices with remote reading up to 25,110 of units. Automation of power account equipment provides the possibility to invoice automatically the clients on electricity amount consumed per period instead of declaring amount by clients themselves.

In 2014, the Company replaced 124,202 pieces of metrologically outdated electricity metering devices. 64 % of them were used for electric energy metering in the single-phase alternating current systems, and 36 % - in the three-phase systems. The Company mounted 25,505 pieces of power account equipment for new clients. 34 % of them were intended for recording power in the single-phase alternating current systems and 66 % - in the three-phase systems.

Customer Settlement Management

LESTO customers can pay for the electricity in accordance with the average amount of the electricity they used. The settlement by the average amount of the electricity used helps to plan the expenditures evenly, despite the seasonality and changes in the amount of used electricity. It means that a client pays an equal sum each month. In addition, those users who have several objects can pay for the electricity used in the several owned residential dwellings by one payment (one bill is available as option). Monthly charges for the electricity used by the client are calculated based on the average amount of the electricity previously used by the client (in kilowatt hours, kWh), which is specified in accordance with the readings sent in by the customer or data of periodic checks of the meters. Users can find out and check the applied average payment by logging into the self-service website "Mano elektra", which is periodically updated, or by making a call to the Customer Service Center or arriving at LESTO Customer Service Center. 15% of LESTO clients pay the bills (VAT invoices) they receive. In 2014, the number of bill (VAT invoices) payments for the electricity used in comparison with 2013 increased by 25%.

Those customers who select electricity accounting by the average consumption can additionally choose the Direct Debit,

when payment for electricity is automatically taken from the client's bank account every month. 13% of LESTO customers use the Direct Debit for bill payments.

Market liberalization

On 31 December 2014, independent suppliers delivered electricity to 59,192 objects. According to the Electricity Market Development Plan for Lithuania signed by the Government of the Republic of Lithuania on 8 July 2009, as of 31 December 2014, the independent electricity supplier has been chosen accordingly:

- About 94 % of objects with permissible power of 400 kW and more;
- About 84 % of objects with permissible power of 100 kW and more;
- About 71 % of objects with permissible power of 30 kW and more;
- About 57 % of objects with permissible power less than 30 kW;

The remaining objects receive the electricity from the warranty supplier (LESTO).

SOCIAL RESPONSIBILITY

The primary goal of LESTO socially responsible activities is the formation of safe and sustainable electricity consumption habit in the society, and contribution to saving energy resources and reduction of the environmental impact they produce. That is why all socially responsible actions initiated by LESTO contribute to the achievement of these goals.

Environmental Projects

Electric vehicle charging station. In July 2014, LESTO with its partners Nissan and NT Valdos provided the first impulse for the development of electric vehicle infrastructure in Lithuania: the first electric vehicle charging station was opened at J. Levelio str. in Vilnius. The project of the first electric vehicle charging station is a breakthrough in the development of electric vehicle infrastructure. New possibilities for business development and investments in the knowledge-based capital open up in Lithuania. The charging station allows charging the empty car battery just in 30 minutes. According to the electricity consumption data at the station, electric vehicle drivers used the station approximately 90 times, starting from its opening in July. At present, the largest independent Lithuanian capital electricity supplier Energijos tiekimas supplies the station with the electricity free of charge.

Paper saving and usage of the advanced technology for provision of information. The Company continuously motivates its clients to reject paper bills and billing books, encouraging them to choose the remote service channels or use the Direct Debit for payments instead. More than 90% of LESTO business clients had already proceeded to electronic billing. LESTO informs approximately 80% of its electricity users about power outages and expected duration of repair by e-mails and SMS messages.

Waste sorting and management. According to the published statistics, namely that actually one fourth of total communal waste accounts for paper, cardboard and plastic, and that offices dispose of this type of waste at most, LESTO initiated waste disposal by sorting plastic and paper at its central office with the utmost number of employees. As a contributor to the safer environment, LESTO continues serving of points for workers operating in Customer Service Centres in order to collect power saving bulbs, small-sized electronics, and batteries.

Landscape Protection. Under the implementation of the EU co-financed project, LESTO replaced the old electricity overhead lines with new cables of 100 km long in Kaunas, Panevėžys, Šiauliai, Mažeikiai and other regions, where the technical state of the overhead lines could no longer meet the user standards. Cable lines are safer, ensure reliable electricity supply and fit in the landscape. LESTO aims to install cable lines under the project in those country areas, where overhead lines' wires have become too thin, have dangerously approached the green area, and worn-out infrastructure caused many malfunctions.

LET'S DO 2014. More than 350 LESTO employees across Lithuania have joined the cleanliness initiative "LET'S DO 2014" and collected a variety of waste left by irresponsible residents. While expanding its socially responsible activity, LESTO invited residents to act responsibly during the year, i.e. to save the environment, recycle waste and sustainably use the resources and the electricity.

Initiatives to public

LESTO implements long-term social responsibility projects for children, youth and public. All of them cover active involvement of target social groups as well as ideas concerning safe and sustainable usage of energy and environmental protection.

Loss reduction and educational project „Operation 2020“

The Company plans to proceed with the implementation of the Programme "Operation 2020" until the year 2020, which aims to motivate responsible behaviour with electric devices, increase people awareness of the safety and reduce adverse outcome arising from irresponsible and malicious behaviour of residents. This year LESTO continues active cooperation with the Association of Local Authority Heads in Lithuania, as well as participation in rallies and meetings organized by seniors. A significant support in combating theft is the public spirit – reports by citizens help quickly to identify offenders and repair damaged transformers before they burn out and stop supplying residents with electricity.

During 2014, 136 reports on illegal electricity use cases were received via the anonymous trust telephone line. According to citizen reports, eight illegal electrical connections and three illegally installed electrical branches were identified. Due to citizens reports, the Company drew up protocols for the total amount of LTL 100,000.

In 2014, compared to 2013, the number of thefts has almost unchanged, however thefts losses decreased by 18 %. The thefts of insulating oil decreased by 12 %, whereas damages declined by 15 %. The number of non-ferrous metals thefts from transformer assemblies decreased by 18 %, while damages declined by 27 %. In 2014, compared to 2013, the number of drawn protocols on electricity embezzlements decreased by 26 %, while the damages increased twofold.

Project competition for Local Authorities and Communities

LESTO with the Association of Local Authority Heads in Lithuania invited Local Authorities and their Communities to submit tenders for competition of projects on the increase of safety near devices of the electric network and public responsibility. Communities were to suggest the plans to solve the problems related to safe and sustainable electricity use and to involve as many residents into the project as possible. The aim of the project was to increase the safety of residents. Particularly desirable were the projects that encourage education and responsibility of citizens, especially among the youth. 30 applications were received from the Local Authorities and Communities. The representatives of LESTO, the Association of Local Authority Heads, associations of Lithuanian municipalities and VšĮ „Rūpi“ evaluated the submitted applications. This year seven educational and practical projects were announced as winners that will bring the most benefit for people safety near the facilities of the electricity network. It had been the third competition organized by LESTO and the Association of Local Authority Heads in Lithuania. In 2010, thirteen Local Authorities submitted 18 applications in the first competition, and five Local Authorities received financing. In 2011, in the second contest, 29 local Authorities submitted 32 applications and the prize fund was allocated for eight projects.

For the enhancement of electricity efficiency – "As much as needed"

Promotion of sustainable energy usage is one of the underlying trends of LESTO social responsibility that contributes to environmental conservation and saving energy resources due to obligations of the country to pursue the European Climate Change Programme. The Project strives at developing traditions of sustainable life of society by searching for ways of sustainable electricity use in both daily life and business.

Series of energy efficiency conferences for industry. In September 2014, LESTO with partners launched a series of energy efficiency conferences "As much as needed for the industry". The first conference, held in Šiauliai, was attended by over 70 representatives of Šiauliai and Panevėžys regional industry. The Conferences "As much as needed for the industry" refer to practical measures for energy saving in the industry, energy management automation solutions, industrial equipment maintenance strategies and sample applications. The participants of the event also learned about the change of electricity capacity and power reliability, electricity network reliability and business process and balancing the cost of electricity and its dependence factors. Partners from international companies „Schneider Electric Lietuva“, „Mano būstas LT“, „SKF Lietuva“ and Energetikų mokymo centras shared their knowledge and experience at the conference.

Days of sustainable and safe use of electricity in Lithuanian libraries. In order to contribute to environmental sustainability and saving energy resources, LESTO organized a series of events on safe use of electricity in 14 national libraries. LESTO experts advised residents on how to save energy and reduce their electricity bills. Participants of the event received the responsible electricity user manual and leaflets about energy saving. Little attendees meet with youth-oriented educational initiative "Elektromagija" characters that both solve a variety of tests related to safe electricity use and play with children and give awards to them. This initiative is for children on energy use, danger and safety issues. The goal of the initiative is to learn how to behave safely with electricity and electrical facilities, to promote interest in a responsible use of energy, environment and sustainable development ideas. In September, events on sustainable and safe use of electricity day were held in Pasvalys, Varėna, Šilutė, Joniškis, Kaišiadorys, Kelmė, Anykščiai, Ignalina and Kupiškis district libraries. More than 500 adults and children participated in the events.

National Educational Programme "Sustainable School". In order to promote the awareness of school communities and contribute to the development 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 participate in a yearlong

Educational Programme “Sustainable School”. Seventy participants from educational institutions carried out the first task – an ecological footprint study.

The results of the ecological footprint study were presented at the Forum of leaders from the school that participate in the Programme “Sustainable School”. After pooling particular individual schools’ data, the results of the study will be presented to the public in the near future. An ecological footprint is a measure indicating the amount of the planet resources necessary for meeting the consumption needs of the population. The ecological footprint study for Lithuanian schools has been prepared according to the methodology designed by Austrian scientists and tailored specifically for educational institutions. According to the data collected within the social responsibility project “Sustainable School“, the biggest influence for ecological footprint has electricity consumption (30 %), heating (27 %) and mobility of students (18 %). Less influence on ecological footprint is made by waste (13 %), food consumption (7 %), teachers’ mobility (4 %), supply (1 %) and water consumption (0.002 %). Other stages of the Programme “Sustainable School” will develop activities that will involve teachers and students, students’ parents and school leaders. During the campaign on the sustainable school development, schools’ communities in collaboration with the Programme’s implementers and partners will initiate and implement activities designed to create a cohesive school community. Each educational institution will build their teams, consisting of teachers, students, parents and administration. These teams will develop their action plans, which will improve its organization taking into account the equivalent three components of sustainable development: environmental, social and economic relations. 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“ and companies UAB „Schneider Electric Lietuva“, UAB „Mano būstas LT“ and the National Consumer Federation.

Conference on the energy efficiency for independent energy suppliers “Energetic Dialogue 2014“. Independent suppliers distribute energy to 13 thousand LESTO business clients (58 thousand objects) that consume about 80 % of total electricity distributed to business customers. In the future, while liberalization of the market continues, the number of independent suppliers is expected to grow. LESTO, as an electricity distributing company, organized the second conference “Energetic Dialogue 2014” for independent suppliers in order to make the cooperation closer. The conference focused both on the analysis of the current situation in the electricity market and on the review of the requirements of the upcoming Energy Efficiency Directive. The survey made after the conference showed that more than 90% of the participants considered this event topical and would agree to attend the conference second time.

International Earth’s Day commemoration. Although International Earth’s Day in Lithuania is celebrated on 20 March, the rest of the world celebrates this event on 22 April. On this occasion, LESTO attended the conference and shared the advices on sustainable energy use with other energy efficiency experts, and answered the questions.

Market, customers and investors

In business environment, LESTO strives to maintain transparent relations with all market participants – clients, partners, contractors and investors. With a view to the safety of electricity supply, economic and social benefit, every year LESTO pays considerable attention to the development and modernization of the distribution network. Creating conditions for energy saving by its sustainable use is an important aspect of this activity.

Collaboration with Lithuanian libraries. LESTO continues collaboration with libraries by launching the Project "Libraries for Innovation 2" this year. The aim of the Project "Libraries for Innovation 2" is to strengthen libraries’ ability to meet the needs of the developing community and consolidate libraries as stable communal institutions able to improve people lives. The aim of the collaboration between LESTO and the libraries is to encourage clients start using the self-service page www.manoelektra.lt in public areas.

LESTO Customer Service Centre manoelektra.lt enters the environment of mobile applications. Upon consideration of the changing Internet browsing needs of its users, LESTO introduced a mobile version of the self-service site www.manoelektra.lt. From now, users that connect to manoelektra.lt via smart phones or tablet computers will see a customized and convenient mobile interface of LESTO self-service site.

LESTO presentation to investors. LESTO Board member, Director of Finance and administration division Mr. Andrius Bendikas gave presentation "AB LESTO Yesterday. Today. Tomorrow" at the meeting with investors and the top management of the listed companies organized by NASDAQ OMX Vilnius Stock Exchange in the beginning of June.

Customer Service Centre adaptation to the needs of disabled people. LESTO Customer Service Centre in Kaunas perfectly fits for persons with disabilities. The experts of the Project "Without Thresholds", which aims to reduce social separation of disabled people, stated it. During the visit to LESTO Customer Service Centre in Kaunas, experts checked the number of the parking places for disabled people, distance to the entrance of the building, condition of the slope from carriageway to pavement, exercise of the entry to the Customer Service Centre, condition of the water closets for disabled people and many other aspects. The findings of experts contain recommendations on the aspects that need improvements.

Employees

LESTO employees won the award of most professional energy specialists. In May, energy specialists competed in the national workmanship competition that took place at the Centre of Training for Energy Specialists. After completing the tasks and summing up the results, a team from Šiauliai region was announced as the winner. LESTO team from Panevėžys region took the second place and LESTO team from Klaipėda region - third place. Seven LESTO teams (from every region) and four contractor teams from companies „Elektromontuotojas“, „Elektros tinklo paslaugos“, „Žilinskis ir ko“ and „Anykščių energetinė statyba“ participated in this competition.

Public events

Public Power Engineer's Day events. National Electricity Association of Lithuania consisting of the largest energy companies, including LESTO, on 17th of April, invited to celebrate the Power Engineer's Day in the Energy and Technology Museum of Lithuania. The museum opened its doors to visitors to a look at the country's energy history. The event was closed by the performance of the musical band "Saulės kliošas".

Fighting corruption

LESTO does not tolerate any corruption manifestations and supports fair business and transparent collaboration with state institutions. Active internal control mechanisms intended for setting possible factors of corruption risks minimize the risk. Corruption prevention is one of the functions pursued by the Prevention and Control Department of the Company. LESTO regularly supervises its performance and takes corrective actions against detected violations and topping hazards in order to maintain the proper image of the Company. In May 2014, the policy of zero tolerance against corruption came into force.

Social responsibility

LESTO announced the report on the progress of social responsibility in 2013. Electricity distributor LESTO, member of the United Nations Global Compact, published the annual Social Responsibility Progress Report. LESTO is perhaps one of the first Lithuanian companies to prepare the Social Responsibility Report according to the newest United Nations Global Reporting Initiative Guidelines G4. In May, these Guidelines became the official standard of United Nations Global Compact and is recommended for use by all members of the Compact as a reporting tool. G4 Guidelines were drafted on the basis of incorporation of the parties concerned. Widely recognized experts from all over the world participate in its drafting and improvement.

Evaluation

LESTO social initiative "As much as needed" on energy saving was nominated as one of the three finalists of "Corporate Social Responsibility Initiative" at Swedish Business Awards in 2014.

COMPANY AND ITS MANAGEMENT BODIES

Company's organizational structure

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

LESTO 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

RESPONSIBILITY

COOPERATION

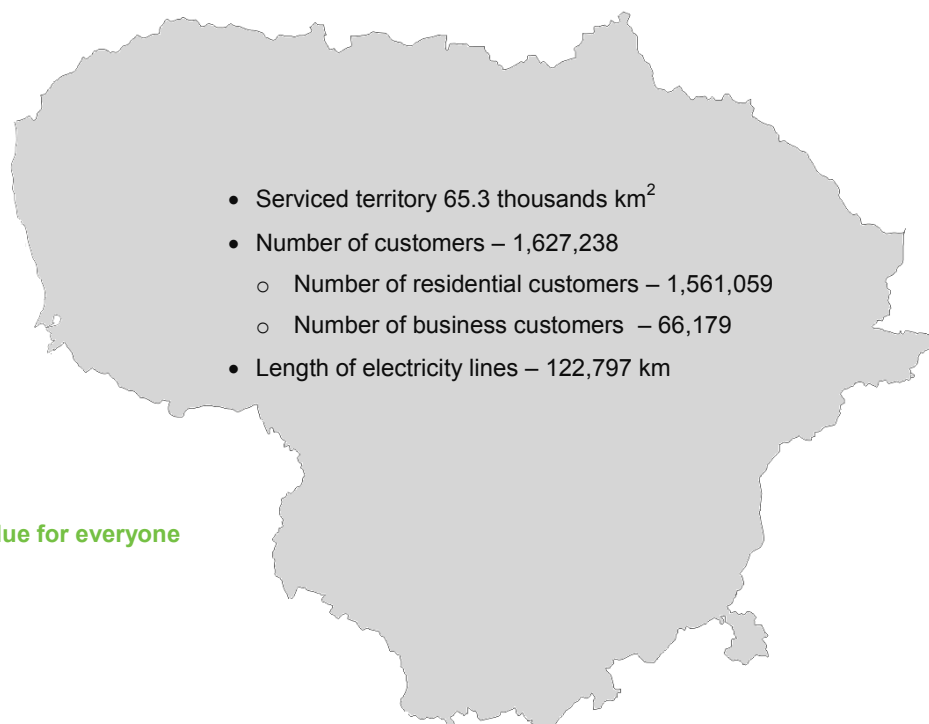
RESULT

LESTO mission

Reliable electricity energy creating value for everyone

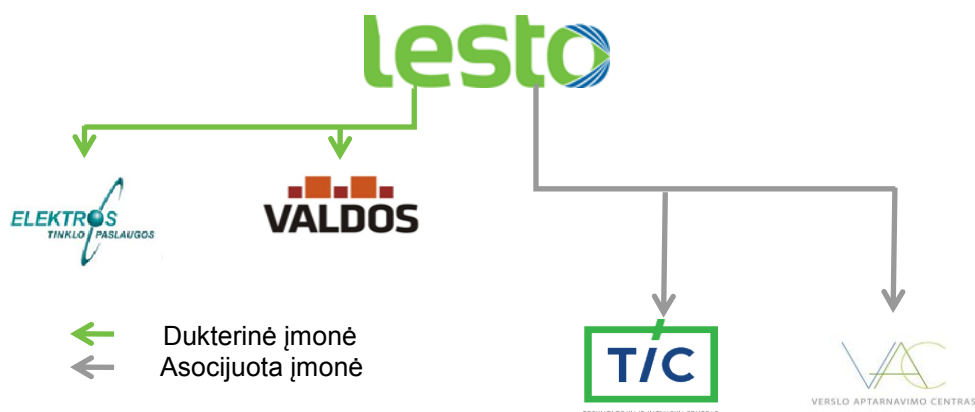
LESTO vision

The company with high reputation that employees, shareholders and the public are proud of



LESTO company group

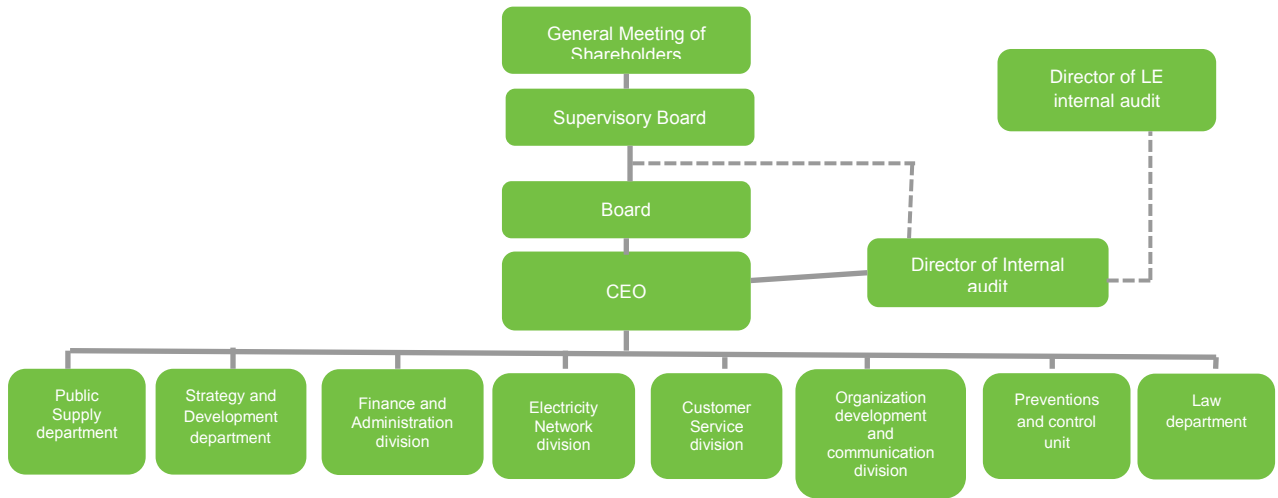
On the report signature date, LESTO with its subsidiaries ELEKTROS TINKLO PASLAUGOS UAB, NT Valdოს UAB and associated companies Technologijų ir inovacijų centras UAB and Verslo aptarnavimo centras UAB, make up LESTO company group.



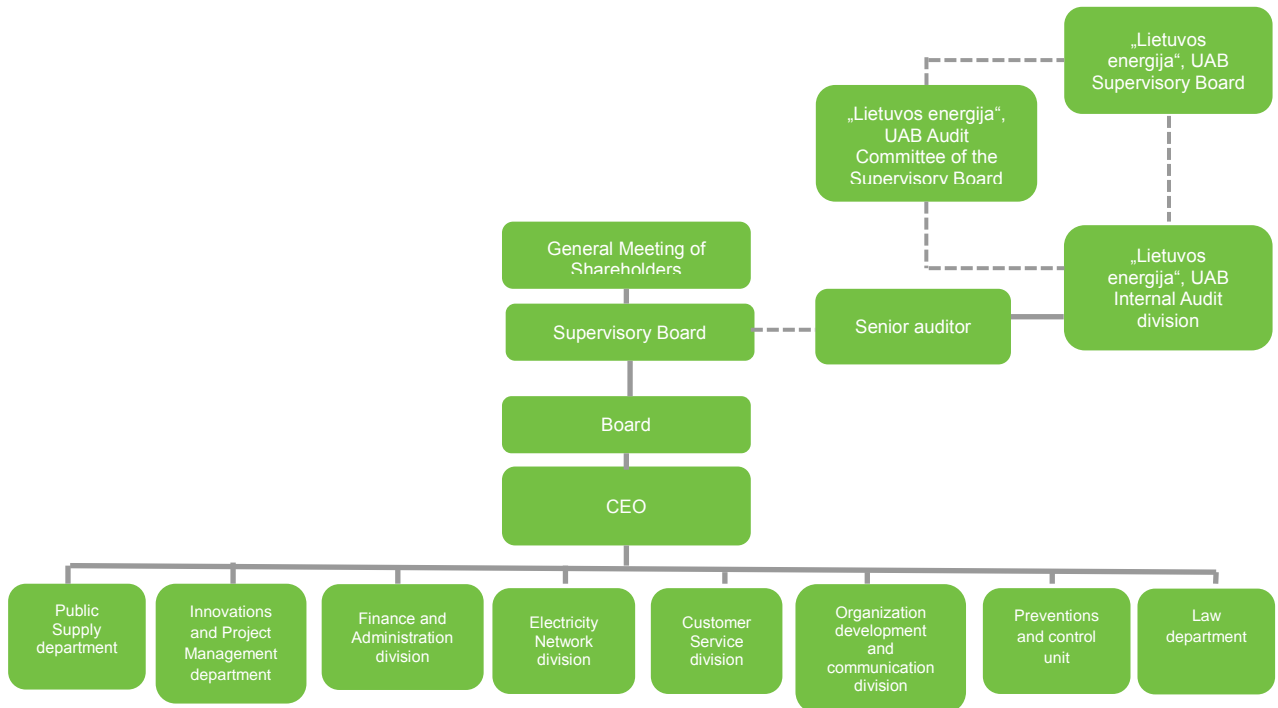
Key data on subsidiaries and associated companies

| | Elektros tinklo paslaugos UAB | NT Valdოს UAB | Technologijų ir inovacijų centras UAB | Verslo aptarnavimo centras UAB |
|--|--|---|---|---|
| Address | Motorų str. 2, Vilnius | Geologų str. 16, Vilnius | A.Juozapavičiaus str. 13, Vilnius | P. Lukšio str. 5B, Vilnius |
| Registration date | 8 December 2004 | 18 January 2007 | 4 December 2013 | 30 July 2014 |
| Company code | 300072351 | 300634954 | 303200016 | 303359627 |
| Telephone | +370 5 210 6809 | +370 5 210 6539 | +370 5 278 2272 | +370 5 259 4400 |
| Fax | +370 5 216 7875 | +370 5 210 6543 | +370 5 278 2299 | +370 5 259 4401 |
| E-mail | etp@etpa.lt | info@valdos.eu | info@etic.lt | vac@le.lt |
| Website | www.elektrostinklopaslaugos.lt | www.valdos.eu | www.etic.lt | http://vac.le.lt |
| LESTO ownership, %, on 31 December, 2014 | 100 | 57.30 | 20.02 | 15 |
| Profile of activities | Power network engineering, construction, repair, maintenance and customer connection to the grid services. | Real estate and transport rental and administration services. | IT services and maintenance for the companies operating in the sector of electric energy. | Procurement organization and execution, accounting and personnel administration services. |

LESTO management structure in 2014



LESTO management structure from 1 January, 2015



LESTO management

On the report signature date according the Articles of Association LESTO management bodies includes 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.

Three General Meetings of Shareholders took place in the year 2014. Director of Finance and Administration division (CFO) and member of the Board Andrius Bendikas and LESTO chairman of the Supervisory Board Darius Kašauskas participated in the Ordinary General Meeting of Shareholders which took place on 4 April, 2014.

Director of Finance and Administration division (CFO) and member of the Board Andrius Bendikas participated in the Extraordinary General Meeting of Shareholders which took place on 25 June, 2014.

CEO Aidas Ignatavičius, Director of Finance and Administration division (CFO) and member of the Board Andrius Bendikas and LESTO chairman of the Supervisory Board Darius Kašauskas participated in the Extraordinary General Meeting of Shareholders which took place on 30 September, 2014.

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.

In 2014 ten meetings of the Supervisory Board took place which were attended by all the members of the Supervisory Board.




Remuneration and bonus system for members of the Supervisory Board

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. Remuneration for the actual work in the Supervisory Board is not paid for these members of the Supervisory Board.

On 30 September, 2013 the agreement of the Supervisory Board independent member's factual work was signed with Petras Povilas Čėsna. The hourly rate of LTL 150 is set for the independent member of the Supervisory Board for the actual

work. Monthly remuneration for the independent member of the Supervisory Board is limited by LTL 3,500 (before taxes). Bonuses and other payments are not provided to the independent member of the Supervisory Board.

| | | | | | |
|---|--|--|---|--|---|
|  |  |  | | | |
| Darius Kašauskas (born in 1972) Chairman of the Supervisory Board | Ilona Daugėlaitė (born in 1970) Member of the Supervisory Board | Petras Povilas Čėsna (born in 1945) Independent member of the Supervisory Board | | | |
| In this position: Since 31 July, 2013 Ending of term: 31 July, 2017 | In this position: Since 31 July, 2013 Ending of term: 31 July, 2017 | In this position: Since 30 September 2013 Ending of term: 31 July, 2017 | | | |
| Education | | | | | |
| ISM University of Management and Economics, BI Norwegian Business school, Master in Management Vilniaus university, Master in Economics. | Vilnius university, Master in Hydrogeology and Engineering Geology. | Vilnius university , Qualification of Economist | | | |
| Main occupation | | | | | |
| UAB „Lietuvos energija“, Director of Finance and Treasury division | UAB „Lietuvos energija“, Director of Organizational Development division | Lithuanian centre of Exhibition and Congress LITEXPO, chairman of the Board | | | |
| Information on payments to LESTO Supervisory Board members over reporting period*, LTL | | | | | |
| - | - | 7,350 | | | |
| Participation in the meetings of LESTO Supervisory Board | | | | | |
| 10/10 | 10/10 | 10/10 | | | |
| Information on LESTO Supervisory Board members participation in the activities of companies and organisations; shareholding in other companies exceeding 5% of capital/votes | | | | | |
| Name of organisation, position | Capital held and share of votes, % | Name of organisation, position | Capital held and share of votes, % | Name of organisation, position | Capital held and share of votes, % |
| LESTO, chairman of the Supervisory Board | - | LESTO, member of the Supervisory Board | - | LESTO, independent member of the Supervisory Board | - |
| Lietuvos dujos, UAB, chairman of the Supervisory Board | - | Lietuvos dujos, UAB, member of the Supervisory Board | - | Lietuvos dujos, UAB, independent member of the Supervisory Board | - |
| „Lietuvos energija“, UAB, member of the Board, Director of Finance and Treasury division | - | „Lietuvos energija“, UAB, member of the Board, Director of Organizational Development division | - | Lithuanian centre of Exhibition and Congress LITEXPO, chairman of the Board | - |
| NT valdos, UAB, chairman of the Board | - | Technologijų ir inovacijų centras, UAB, chairman of the Board | - | Republic of Lithuania Seimas, public assistant of parliamentary I. Siaulienė | - |
| Kauno energetikos remontas, UAB, member of the Board | - | ELEKTROS TINKLO PASLAUGOS, UAB, member of the Board | - | | |
| Verslo aptarnavimo centras, UAB, chairman of the Board | - | Duomenų logistikos centras, UAB, chairman of the Board | - | | |
| | | Spouse has 3,150 ordinary registered shares of UAB SOLUTIONLAB PRODUCTION (company code 300629188) | 63 | | |

* 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 in 2014.

Audit committee

On 27 August, 2013 the Supervisory Board of the company “Lietuvos energija” UAB formed an Audit committee which activities include examination and submitting proposals on issues delegated to the committee and questions on which the Supervisory Board appeals to the committee. The activities of the Audit committee are subject to the company “Lietuvos energija” UAB and its directly and indirectly controlled subsidiaries, including LESTO, and other forms directly and indirectly

controlled legal persons.

The main functions of Audit Committee:

- to observe "Lietuvos energija" UAB and its group companies procedures of financial reporting;
- to observe "Lietuvos energija" UAB and its group companies inner control and risk management system effectiveness, to perform these systems demand and relevance analysis and review;
- to observe how certified auditor and audit company follow independence and objectiveness principles, to provide recommendations;
- to observe "Lietuvos energija" UAB and its group companies audit processes, to evaluate audit effectiveness and administration reaction to recommendations which are presented to the leadership;
- to observe "Lietuvos energija" UAB and its group companies inner audit function' effectiveness, to analyse those function demand and relevance, to provide recommendations for those questions like internal audit need, effectiveness and other, to initiate actions if needed.

LESTO had an Internal Audit Division till 5 January, 2015. The responsibility of this division includes independent, objective research, evaluation and consultancy work in order to create added value for the Company and help to achieve the Company's objectives. The internal audit function was unified in the group of companies since 5 January, 2015. Such a solution will help to ensure the internal audit's independence and objectivity, unified methodology and accountability, as well as more rational allocation of available audit resources and competences.

Since October, 2014 an independent member Irena Petruškevičienė joined the Audit committee of the company "Lietuvos energija" UAB.

Members of the Audit committee of the company "Lietuvos energija" UAB at the end of the reporting period:

| Name, surname | Capital held of the Issuer (%) | Term | Workplace |
|--|--------------------------------|-----------------------------|---|
| Rasa Noreikienė (chairwoman) | 0 | 2013 August – 2017 August | Ministry of Economy of the Republic of Lithuania |
| Aušra Vičkačkienė | 0 | 2013 August – 2017 August | Property Management department of the Ministry of Finance |
| Danielius Merkinas (independent member) | 0 | 2013 August – 2017 August | UAB „Nordnet“ |
| Gintaras Adžgauskas | 0 | 2013 August – 2017 August | World Energy Council Lithuanian committee |
| Irena Petruškevičienė (independent member) | 0 | 2014 October – 2018 October | European Commission Audit Development Committee |

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. At the end of the reporting period the Board of the Company consisted 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.

In 2014 33 meetings of the Board took place which were attended by all the members of the Board.

Remuneration and bonus system for members of the Board

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. The fixed remuneration is set for the work in the Board: the amount of LTL 3,000 (before taxes) per calendar month for a member of the Board and the amount of LTL 5,000 (before taxes) per calendar month for a chairman of the Board. Bonuses and other payments are not provided to the members of the Board for the actual work in the Board.

| | | | | | |
|---|--|--|---|--|---|
| | | | | | |
| Aidas Ignatavičius (born in 1974) Chairman of the Board CEO | Andrius Bendikas (born in 1973) Member of the Board | Dalia Andrulionienė (born in 1971) Member of the Board | Virgilijus Žukauskas (born in 1961) Member of the Board | Sergejus Ignatjevas (born in 1965) Member of the Board | |
| In the position of Chairman: Since 17 September, 2013 Ending of term: 17 September, 2017 In the position of CEO: Since 23 September, 2013 | In this position: Since 17 September, 2013 Ending of term: 17 September, 2017 | In this position: Since 17 September, 2013 Ending of term**: 17 September, 2017 | In this position: Since 17 September, 2013 Ending of term: 17 September, 2017 | In this position: Since 17 September, 2013 Ending of term: 17 September, 2017 | |
| Education | | | | | |
| Vilnius university, Master in Business Administration and Management | Baltic Management Institute (BMI), Master in Business Administration | Vilnius university, Master in Economics. ISM University of Management and Economics, Master in Management | Kaunas University of Technology, Master in Electricity Supply for Industry, Cities and Agriculture. | Vilnius university, Master in Finance and Credit | |
| Main occupation | | | | | |
| LESTO, CEO | LESTO, Director of Finance and Administration division | LESTO, Director of Organization Development and Communications division | LESTO, Director of Electricity Network division-vice CEO | LESTO, Director of Customer Service division | |
| Information on payments to LESTO Board members over reporting period*, LTL | | | | | |
| 60,000 | 36,000 | 36,000 | 36,000 | 36,000 | |
| Participation in the meetings of LESTO Board | | | | | |
| 33/33 | 33/33 | 33/33 | 33/33 | 33/33 | |
| Information on LESTO Board members participation in the activities of companies and organisations; shareholding in other companies exceeding 5% of capital/votes | | | | | |
| Name of organisation, position | Capital held and share of votes, % | Name of organisation, position | Capital held and share of votes, % | Name of organisation, position | Capital held and share of votes, % |
| LESTO, chairman of the Board, CEO | - | LESTO, member of the Board, Director of Finance and Administration division | - | LESTO, member of the Board, Director of Electricity Network division-vice CEO | 0.000012 |
| Technologijų ir inovacijų centras, UAB, member of the Board | - | Verslo aptarnavimo centras, UAB, member of the Board | - | | |
| Support fund of Lietuvos energija, member of the Board | - | | | | |
| National Lithuanian Association of electricity, council member | - | | | | |
| | | | | | Pylimo str. 36 Association of the First block of flats owners, chairman |

* 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 in 2014.

** On 25 February, 2015, the Supervisory board of LESTO decided to recall Dalia Andrulionienė from the Board of LESTO from February 27, 2015. By the decision of the Supervisory Board of „Lietuvos energija“, UAB, Dalia Andrulionienė was elected to the Board of „Lietuvos energija“, UAB, and will start this position from March 2, 2015.

Chief Executive Officer

Chief Executive Officer (hereinafter – CEO) is an 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 conclude 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.

Information on payments to LESTO CEO and Director of Accounting department over reporting period*

| | Salaries, LTL |
|--|----------------|
| CEO Aidas Ignatavičius | 193,186 |
| Director of Accounting department Zina Chmieliauskienė** | 175,952 |
| Members of the Administration total | 369,138 |

* 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 in 2014.

** The payments for the director of Accounting department provided till 30 November, 2014. The accounting function was transferred to Verslo aptarnavimo centras UAB since 1 December, 2014, there is no longer the position of director of Accounting department in the Company.

Information on LESTO 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, % |
|----------------------|---|-----------------|-------------------|
| Aidas Ignatavičius | Look for the information above | - | - |
| Zina Chmieliauskienė | LESTO, Chief Accountant, Director of Accounting department* | - | - |

* Till 30 November, 2014 The accounting function was transferred to Verslo aptarnavimo centras UAB since 1 December, 2014, there is no longer the position of director of Accounting department in the Company.

Agreements between the Issuer and members of its management bodies or employees providing for compensation in case of resignation or dismissal without a valid reason or of termination of work due to changes in the ownership of the Issuer

No such agreements between the Issuer and member of its management bodies or employees were made.

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 employees' professional abilities and formation of organization's culture, which ensures creating value for clients, partners and the society.

During the first quarter of 2014, the time intervals of the electronic electricity meter inspection were changed by the State Metrology Service Director's order, which reduced the Company's metrological electricity meter replacement volumes, thus the number of LESTO personnel in Customer Service Division's Electricity Recording Management Department was reduced by 40 positions.

During the second quarter of 2014, continuing an unified dispatch management system implementation project Vilkaviškio and Marijampolės dispatchers were merged and the number of LESTO personnel in Electricity Network division was reduced by 3 positions.

During the third quarter of 2014, no structural changes affecting the number of employees have been implemented.

In the fourth quarter of 2014, while proceeding with the project of the customer service channels' optimization, the customer service network was reduced, and consequently the number of employees was reduced by 88 positions. Considering the decision made by the Board of LESTO in collaboration with „Lietuvos Energija“, UAB, Lietuvos energijos gamyba, AB, LITGAS, UAB and Technologijų ir inovacijų centras, UAB on the establishment of a joint enterprise Verslo aptarnavimo centras, UAB for organization and exercise of public procurements, provision of accounting and personnel administration services to the company shareholders, the function of organization and exercise of public procurements has been delegated

to Verslo aptarnavimo centras, UAB from 1 October 2014, and accounting function - from 1 December 2014, consequently reducing the total number of positions by 73.

At the beginning of 2014 2,420 of employees were working in the Company. During the twelve months of 2014 the total number of employees of LESTO decreased by 191 or 7.9 %, and it was equal to 2,229 by the end of December, 2014. At the end of December 2014, 3,004 employees were working in LESTO Group. From the beginning of the year the number of employees declined by 6.5 % (on 1 January, 2014, LESTO Group had 3,212 employees).

LESTO employees by categories

| Category | Number of employees |
|------------------------------|---------------------|
| | 31 12 2014 |
| CEO | 1 |
| Top-level managers | 6 |
| Mid-level managers | 143 |
| Experts, specialist, workers | 2,079 |
| Total | 2,229 |

The structure of the Company's employees by their education was as follows: 57.0 % of the employees had higher education, 21.5 % had post-secondary education, and 21.5 % had secondary or specialized-secondary education.

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. The variable part of the salary payments are determined and regulated in LESTO procedure of employees' variable remuneration determination and payment and in LESTO procedure of CEO's performance indicators determination and the variable part of the salary calculation and appointment. The maximum size of the variable part of the salary is set in LESTO procedure of employees' variable remuneration determination and payment. In LESTO procedure of CEO's performance indicators determination and the variable part of the salary calculation and appointment is provided that the variable part of the CEO's salary cannot exceed 30 % of annual fixed salary and is set by the Company's Board. According to LESTO procedure of employees' variable remuneration determination and payment, the Company's Board, taking into account the opinion of the Supervisory Board, sets the measurement indicators for the employees' general (the Company's) objectives and approves their execution. According to LESTO procedure of CEO's performance indicators determination and the variable part of the salary calculation and appointment, the variable part of the salary for the CEO is paid for the execution of objectives (indicators). The objectives (indicators) for the CEO is determined and approved by the Company's Board in accordance with the opinion of the Supervisory Board. It should be noted that the same variable remuneration determination and payment principles are applied across the entire companies group of "Lietuvos energija", UAB. According to LESTO procedure of employees' variable remuneration determination and payment, the variable part of the remuneration to the top-level managers is paid within 2 payments: the first part, equal to 80 % of all calculated and assigned variable part of remuneration (for the achieved objectives (indicators) of the reported period No 1) is paid within 30 calendar days of the decision to pay the variable part of the salary; the second part, equal to 20 % of all calculated and assigned variable part of remuneration (for the achieved objectives (indicators) of the reported period No 1),

on purpose to loyalty of the top-level managers and performance continuity, is deferred and paid after 1 year within 30 calendar days of the decision to pay the second variable part of the salary and is paid together with the variable part of the salary (80 %) for the achieved objectives (indicators) of the reported period No 2. The analogous procedure of the variable remuneration payment to the CEO is determined in LESTO procedure of CEO's performance indicators determination and the variable part of the salary calculation and appointment.

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

| Category | Average gross wage, LTL |
|------------------------------|-------------------------|
| | 2014 January - December |
| CEO | 15,996 |
| Top-level managers | 15,706 |
| Mid-level managers | 6,701 |
| Experts, specialist, workers | 3,160 |
| Total | 3,441 |

Collective agreement

On 7 March 2014, a new collective agreement was approved at the staff conference of electricity 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).

Trade Unions

The company supports the employees in voluntary grouping into trade unions and closely cooperates with them. Quarterly meetings are organized where strategic projects of the Company are discussed. The representatives of the trade unions take part in working groups when the issues on employees (occupation, re-skilling, remuneration and social matters) are under discussion.

Training

LESTO organizes training of different types for Company employees. The Company invests in training of its employees in order to ensure efficient and high-quality maintenance of power distribution network, adequate customer servicing and occupational safety. Employees improve their professional qualification in mandatory training and obtain special services certificates after completing the training programmes. 1,277 persons participated in the mandatory training in 2014. The employees participated in training of works with AMKA cables, workers in high-altitude work, 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 types of training.

In 2014, 831 persons participated in general training with the aim to improve general competencies. The training is organized both by building internal groups of the Company and sending single employees to seminars and conferences (in

Lithuania and abroad) held by external suppliers. The Company pays considerable attention to the development of the leadership competence of the top management: a long-term management program launched at the beginning of 2014 is still in progress. In 2014, the Company partially or entirely funded studies of 14 employees in Lithuanian higher schools.

The Company seeks to engage staff in competency development programs, so they could share with others their particular knowledge and skills. 2,420 participants attended training courses this year, which were led by LESTO internal lecturers. The most of the internal training was conducted for the development of the electrical staff in pursuance of better occupational safety and improvement of customer service. The Company maintains collaboration with manufacturers and equipment suppliers that deliver their knowledge to LESTO electricity network service employees free by presenting the trends of market and innovations in the sphere of the energy. 253 employees participated in the trainings in 2014.

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

Internship

LESTO actively collaborates with educational institutions and creates conditions for university or college students to put their theoretical knowledge into practice and acquire professional skills. 95 students did the practical work in LESTO in 2014. The Company both invited students to do the mandatory practical work, looked for, and selected motivated and enthusiastic students giving them an opportunity to do the actual work in the Company on a voluntary basis. Given the demand for new employees, the Company remembers the most enthusiastic trainees and invites the most relevant of them to join LESTO team. Since the beginning of 2014, eight former trainees received job offers from the Company.

Other committees

Risk Management Supervision Committee and Nomination and Remuneration Committee are also formed in companies group of „Lietuvos energija“, UAB.

Risk Management Supervision Committee

Risk Management Supervision Committee is responsible for the submission of conclusions or proposals to the Supervisory Board on the functioning of management and control system in the Group and (or) main risk factors and implementation of risk management or prevention measures.

Main functions of the Committee:

- monitor the identification, assessment and management of risks relevant for the accomplishment of goals of the Company and Group companies;
- assess the adequacy of internal control procedures and risk management measures to the identified risks;
- assess the status of implementation of risk management measures;
- monitor the implementation of risk management process;
- analyse financial possibilities for the implementation of risk management measures;
- assess the risks and risk management plan of the Company and Group companies;
- assess the regular risk identification and assessment cycle;
- control the establishment of risk registers, analyse their data and provide proposals;
- monitor the drafting of risk management related internal documents;
- perform other functions attributed to the competence of the Committee by decision of the Supervisory Board.

Members of the Risk Management Supervision Committee of the company “Lietuvos energija” UAB at the end of the reporting period:

| Name, surname | Capital held of the Issuer (%) | Term | Workplace |
|--|--------------------------------|------------------------------|---|
| Antanas Danys (chairman) | 0 | 2013 September – 2017 August | VšĮ „Lietuvos Junior Achievement“ |
| Raimundas Petrauskas (independent member) | 0 | 2013 September – 2017 August | Schmitz Cargobull Baltic, UAB |
| Donatas Kaubrys (independent member) | 0 | 2013 October – 2017 October | Dovirma, UAB |
| Tomas Garasimavičius | 0 | 2013 September – 2017 August | Government of the Republic of Lithuania |

Nomination and Remuneration Committee

Nomination and Remuneration Committee is responsible for the submission of conclusions or proposals on the matters of nomination, recall or promotion of the Board Members to the Supervisory Board, also for the assessment of activities of the Board and its members and for issuing the respective opinion. The functions of the Committee also cover the formation of the common remuneration policy at the group level, establishment of the amount and composition of remuneration, principles of promotion, etc.

Main functions of the Committee:

- assess and provide proposals on the long-term remuneration policy of the Company and Group companies (the main fixed part of the remuneration, performance based remuneration, pension insurance, other guarantees and forms of remuneration, compensations, severance pays, other parts of the remuneration package), other principles of compensation for costs related to the individual's performance;
- assess and provide proposals on the policy of bonuses of the Company and Group companies;
- monitor the compliance of the policy of remunerations and bonuses of the Company and Group companies with the international practice and good governance practice recommendations, and provide respective proposals for the improvement of the policy of remunerations and bonuses;
- provide proposals concerning bonuses upon distribution of distributable profit (losses) of the Company and Group companies of the respective financial year;
- assess the terms and conditions of agreements of the Company and Group companies with members of management bodies of the Company and Group companies;
- assess the procedures of recruitment and selection of candidates to members and senior management of the Company and Group companies and establishment of the qualification requirements;
- perform regular reviews of the structure, size, composition and activities of the management and supervisory bodies of the Company and Group companies;
- supervise how members of management bodies and employees of the Company and Group companies are notified of the professional development possibilities and how they upgrade their skills regularly;
- supervise and assess the implementation of measures ensuring the continuity of operations of the management bodies and employees of the Company and Group companies;
- perform other functions attributed to the competence of the Committee by decision of the Supervisory Board.

Members of the Nomination and Remuneration Committee of the company “Lietuvos energija” UAB at the end of the reporting period:

| Name, surname | Capital held of the Issuer (%) | Term | Workplace |
|--|--------------------------------|---------------------------|--|
| Aloyzas Vitkauskas (chairman) | 0 | 2013 August – 2017 August | Ministry of Finance of the Republic of Lithuania |
| Virginijus Lepeška (independent member) | 0 | 2013 August – 2017 August | „Organizacijų vystymo centras“, UAB |
| Tomas Garasimavičius | 0 | 2013 August – 2017 August | Government of the Republic of Lithuania |

ESSENTIAL EVENTS

Auditors

On 25 June, 2014 the Extraordinary General Meeting of Shareholders of LESTO adopted the decision on the selection of the audit company that will perform consolidated audit of financial statements and the audit for the year 2014 of LESTO and determination of payment conditions for audit services. The audit firm UAB "PricewaterhouseCoopers" was selected to carry out the consolidated audit of financial statements and the audit of LESTO financial statements for the year 2014 and to pay it for the audit services of financial statements for the year 2014 the amount of no more than LTL 100 thousand (excluding value added tax).

Other contractual agreements with auditors

The audit company has also carried out the audit of LESTO financial statements for the first half of 2014 and prepared independent auditor's report.

Essential events during the reported period

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 and the website of NASDAQ OMX Vilnius AB at 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 |
| 30-05-2014 | Due to preliminary unaudited operating results of LESTO AB company group for three months of 2014 |
| 02-06-2014 | Regarding of the Extraordinary General Meeting of Shareholders of LESTO AB |
| 03-06-2014 | Regarding LESTO AB presentation to investors |

| | |
|------------|---|
| 04-06-2014 | Regarding statement by Mr A. Bendikas during NASDAQ OMX event |
| 12-06-2014 | Regarding the change of LESTO AB securities account manager |
| 25-06-2014 | Decision adopted in Extraordinary General Meeting of Shareholders of LESTO AB on 25 June 2014 |
| 11-07-2014 | Regarding signature of UAB Technologijų ir inovacijų centras shares and changes of authorized capital |
| 22-07-2014 | Regarding the establishment of the jointly owned company |
| 20-08-2014 | LESTO Plans to Improve Network Reliability, Considerably Accelerate New Customer Grid-Connection |
| 29-08-2014 | Due to audited financial statements of LESTO company and consolidated unaudited financial statements of LESTO group for six months of 2014 |
| 08-09-2014 | Regarding of the Extraordinary General Meeting of Shareholders of LESTO AB |
| 12-09-2014 | Regarding the intention to sign long-term loan agreement |
| 30-09-2014 | Decisions adopted in Extraordinary General Meeting of Shareholders of LESTO AB on 4 April 2014 |
| 08-10-2014 | Due to long-term loan agreement |
| 17-10-2014 | Regarding the electricity distribution price caps, and supply service price cap for 2015 |
| 30-10-2014 | Regarding the public electricity price cap for 2015 |
| 20-11-2014 | Due to public procurement of a long-term loan |
| 24-11-2014 | Regarding the initiated legal proceedings by LESTO AB |
| 28-11-2014 | Due to unaudited financial statements of LESTO company and consolidated unaudited financial statements of LESTO group for nine months of 2014 |
| 28-11-2014 | Regarding the publishing of prices of electricity transportation services and public electricity |
| 19-12-2014 | Regarding the decisions by National Control Commission for Prices and Energy |
| 23-12-2014 | Regarding the publishing of prices of electricity transportation services and public electricity |
| 30-12-2014 | AB LESTO Investor' Calendar 2015 |
| 13-01-2015 | Regarding new service pricing methodology of electricity sector |
| 19-01-2015 | Regarding the electricity distribution price caps for 2016 and asset valuation |
| 23-01-2015 | Regarding the initiated legal proceedings by LESTO AB |
| 03-02-2015 | Regarding LESTO investment plan for 2015-2025 |
| 10-02-2015 | Due to the frequency of the publication of preliminary financial results |
| 13-02-2015 | Preliminary unaudited 2014 LESTO AB company financial results: twice – up to 24 million EUR increased net profit and growth of EBIDTA margin |

| | |
|------------|---|
| 18-02-2015 | LESTO performed a valuation of tangible fixed assets as of 31 December 2014 |
| 25-02-2015 | Recall of the Member of the Board of LESTO AB |

Essential events after the reporting period

On 13 January, 2015 the National Commission for Energy Control and Prices approved new methodology of electricity transmission, distribution and public supply services and public price cap setting (hereinafter - Methodology) and declared that decision of the Commission made on 25 September 2009 No. O3-139 "Regarding prices of the electricity transmission and distribution services and its methodology of price cap setting" and decision made on 9 November 2009 No. O3-199 "Regarding public electricity prices, price of public supply service and the methodology of setting its cap" are no longer valid. LESTO distribution and public supply services and public prices caps are set in accordance with the Methodology.

On 19 January, 2015 the National Control Commission for Prices and Energy, in accordance with the new methodology of electricity transmission, distribution and public supply services and public price cap setting, approved electricity distribution price caps for 2016:

- in medium - voltage networks 1.1896 EUR cents/kWh (4.1074 LTL ct/kWh) (VAT not included);
- in low - voltage networks 1.5421 EUR cents/kWh (5.3246 LTL ct/kWh) (VAT not included).

OTHER SIGNIFICANT INFORMATION FOR THE COMPANY

The main indications about internal control and risk management systems related to the preparation of consolidated financial statements

LESTO consolidated and the Company's financial statements are prepared according to International Financial Reporting Standards (IFRS) as adopted by the European Union.

Risk management system of the Company is based on the following principles: COCO (Committee of Sponsoring of the Treadway Commission) ERM (Enterprise Risk Management), AS/NZS ISO 31000:2009 (Risk Management – Principles and Guidelines) and ISO/IEC 27005:2011 (Information technology – Security Techniques – Information Security Risk Management).

"Four-eyes" principle is implemented when preparing the consolidated financial statements. Verslo aptarnavimo centras, UAB providing the accounting function is responsible for the supervision of preparation and final revision of the consolidated financial statements. Also Audit Committee of Lietuvos energija, UAB observes the Company's and their subsidiaries procedures of financial reporting.

Legal disputes

On 24 November, 2014 LESTO received information that Company's complaint regarding the partial withdrawal of National Commission's for Energy Control and Prices decisions of 17 October 2014 No. O3-841 and No. O3-845 was accepted by Vilnius Regional Administrative Court. In Company's opinion, decisions by National Commission for Energy Control and Prices illegally extended the regulatory period of year 2011-2013 for the year 2015 and fixed electricity distribution price cap incorrectly, failing to assess the Resolution No. 1026 on the establishment of Principles and provisions of State-regulated prices in the electricity sector, approved by the Government of the Republic of Lithuania on 24 September 2014, and improperly counting the applicable rate of return (WACC) for the year 2015.

On 22 January, 2015 LESTO received information that Company's complaint regarding the withdrawal of National Commission's for Energy Control and Prices decision of 19 December 2014 No. O3-947 on the cost inspection report of Company and related decisions No. O3-944, No. O3-945, No. O3-946, No. O3-960 was accepted by Vilnius Regional Administrative Court. The Company disagrees with the cost inspection report of the Commission dated 19 December, 2014 and considers it is not substantiated. In Company's opinion, National Commission for Energy Control and Prices improperly

conducted the cost inspection and supervision of activities of economic entities, violated the principles of public administration, improperly counted the regulated public supply activities costs and actually attributed ones.

ANNEXES

Annex 1. Confirmation of responsible persons



Lietuvos bankas
Žirmūnų street 151,
LT-09128 Vilnius

27-02-2015 Nr. 30200

CONFIRMATION OF RESPONSIBLE PERSONS

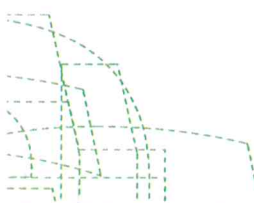
Following Article 22 of the Law on Securities of the Republic of Lithuania and the Rules on Preparation and Submission of Periodic and Additional Information of the Bank of Lithuania, we, Aidas Ignatavičius, Chief Executive Officer of LESTO AB, and, Andrius Bendikas, Head of Finance and Administration division of LESTO AB, hereby do confirm that, to the best of our knowledge, unaudited LESTO AB and consolidated unaudited LESTO AB group financial statements of the twelve 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

Head of Finance and
Administration division

Andrius Bendikas



Annex 2. Financial statements

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

| | GROUP | | COMPANY | |
|---|------------------|------------------|------------------|------------------|
| | 2014-12-31 | 2013-12-31 | 2014-12-31 | 2013-12-31 |
| ASSETS | | | | |
| Non-current assets | | | | |
| Property, plant and equipment | 2 496 874 | 4 644 520 | 2 357 000 | 4 499 476 |
| Intangible assets | 8 900 | 9 326 | 8 813 | 9 265 |
| Prepayments for property plant | - | 118 | - | 118 |
| Investments in subsidiaries | - | - | 203 652 | 203 652 |
| Investment in associates | 4 994 | 19 490 | 4 744 | 19 084 |
| Investment property | 154 655 | 147 088 | - | - |
| Deferred income tax asset | 11 441 | - | 11 441 | - |
| Non-current receivables | 1 837 | 2 319 | 1 657 | 1 939 |
| | 2 678 701 | 4 822 861 | 2 587 307 | 4 733 534 |
| Current assets | | | | |
| Inventories | 7 996 | 10 582 | 5 539 | 6 671 |
| Trade and other receivables | 202 223 | 204 023 | 194 083 | 196 726 |
| Prepayments, deferred charges and accrued income | 22 546 | 22 294 | 21 627 | 21 824 |
| Prepaid income tax | - | 43 | - | - |
| Cash and cash equivalents | 35 913 | 26 590 | 14 189 | 8 050 |
| | 268 678 | 263 532 | 235 438 | 233 271 |
| Non-current assets held for sale | 146 | 221 | - | - |
| | 268 824 | 263 753 | 235 438 | 233 271 |
| Total assets | 2 947 525 | 5 086 614 | 2 822 745 | 4 966 805 |
| EQUITY | | | | |
| Equity and reserves attributed to owners of the Company | | | | |
| Share capital | 603 945 | 603 945 | 603 945 | 603 945 |
| Revaluation reserve | 241 685 | 1 466 560 | 211 740 | 1 437 765 |
| Legal reserve | 60 401 | 60 394 | 60 394 | 60 394 |
| Retained earnings | 450 882 | 1 111 224 | 489 076 | 1 152 766 |
| | 1 356 913 | 3 242 123 | 1 365 155 | 3 254 870 |
| Non-controlling interest | 129 675 | 126 979 | - | - |
| Total equity | 1 486 588 | 3 369 102 | 1 365 155 | 3 254 870 |
| LIABILITIES | | | | |
| Amounts payable after one year and non-current liabilities | | | | |
| Borrowings | 344 780 | 299 065 | 344 780 | 299 065 |
| Deferred income tax liabilities | 4 005 | 333 985 | - | 330 955 |
| Deferred income | 288 870 | 303 942 | 288 870 | 303 942 |
| Grants and subsidies | 31 017 | 48 468 | 31 017 | 48 468 |
| Non-current employee benefits | 4 355 | 4 494 | 3 998 | 4 342 |
| Other non-current liabilities | 370 | 128 | 370 | 128 |
| | 673 397 | 990 082 | 669 035 | 986 900 |
| Amounts payable within one year and current liabilities | | | | |
| Borrowings | 422 011 | 316 462 | 422 011 | 315 763 |
| Trade and other payables | 276 328 | 329 354 | 282 474 | 331 958 |
| Advances received and accrued liabilities | 79 283 | 75 071 | 74 449 | 70 771 |
| Current income tax liabilities | 9 918 | 6 543 | 9 621 | 6 543 |
| | 787 540 | 727 430 | 788 555 | 725 035 |
| Total liabilities | 1 460 937 | 1 717 512 | 1 457 590 | 1 711 935 |
| Total equity and liabilities | 2 947 525 | 5 086 614 | 2 822 745 | 4 966 805 |

Statement of comprehensive income, LTL thousand

| | GROUP | | | |
|--|--------------------|--------------------|-----------------|-----------------|
| | 2014 | 2014 Q IV | 2013 | 2013 Q IV |
| Sales revenue | 2 296 666 | 606 968 | 2 431 162 | 641 719 |
| Purchases of electricity and other related services | (1 515 265) | (422 715) | (1 667 913) | (441 889) |
| Depreciation and amortization | (352 352) | (89 432) | (376 748) | (87 324) |
| Employee benefits and related social security contributions | (153 966) | (40 259) | (160 269) | (44 660) |
| Repair and maintenance expenses | (82 972) | (24 594) | (78 559) | (32 858) |
| Transportation costs | (11 594) | (2 533) | (10 844) | (2 845) |
| Telecommunications and IT services | (25 097) | (7 727) | (22 727) | (6 114) |
| Rent and utilities | (10 822) | (2 619) | (10 686) | (3 193) |
| Profit (loss) from disposal of property, plant and equipment | | - | | |
| Evaluation result of other asset | (537) | - | 3 142 | - |
| Revaluation of property, plant and equipment | (766 435) | (766 435) | (415) | (415) |
| Effects of change in the value of investment property | 1 430 | 1 430 | 575 | 575 |
| Other expenses | (37 491) | (5 502) | (49 176) | (16 958) |
| Operating profit (loss) | (658 435) | (753 418) | 57 542 | 6 038 |
| Finance income | 1 229 | 464 | 3 150 | 702 |
| Finance (costs) | (8 054) | (2 058) | (7 012) | (1 760) |
| Finance income /(costs), net | (6 825) | (1 594) | (3 862) | (1 058) |
| Profit (loss) on investment in associates | 381 | 31 | 1 468 | 890 |
| Profit (loss) before income tax | (664 879) | (754 981) | 55 148 | 5 870 |
| Income tax | 103 688 | 117 441 | (7 502) | (495) |
| Net profit (loss) for the year | (561 191) | (637 540) | 47 646 | 5 375 |
| Other comprehensive income (expenses): | | | | |
| Gain (loss) on revaluation of property, plant and equipment | (1 341 342) | (1 341 342) | 850 | 850 |
| Effects of deferred income tax | 201 201 | 201 201 | (128) | (128) |
| Other comprehensive income (expenses) | (1 140 141) | (1 140 141) | 722 | 722 |
| Gross profit (loss) for the year | (1 701 332) | (1 777 681) | 48 368 | 6 097 |
| Net profit (loss) for the year attributable to: | | | | |
| Owners of the Company | (562 012) | (635 350) | 46 474 | 6 265 |
| Non-controlling interest | 821 | (2 190) | 1 172 | (890) |
| | (561 191) | (637 540) | 47 646 | 5 375 |
| Gross profit (loss) for the year attributable to: | | | | |
| Owners of the Company | (1 704 028) | (1 777 366) | 47 221 | 7 012 |
| Non-controlling interest | 2 696 | (315) | 1 147 | (915) |
| | (1 701 332) | (1 777 681) | 48 368 | 6 097 |
| Earnings per share ratio | (2,821) | (2,943) | 0,077 | 0,012 |

| | COMPANY | | | |
|--|--------------------|--------------------|----------------|---------------|
| | 2014 | 2014 Q IV | 2013 | 2013 Q IV |
| Sales revenue | 2 246 414 | 593 426 | 2 398 395 | 631 395 |
| Purchases of electricity and other related services | (1 515 265) | (422 715) | (1 667 913) | (441 889) |
| Depreciation and amortization | (340 927) | (85 879) | (366 360) | (84 870) |
| Employee benefits and related social security contributions | (127 295) | (34 386) | (132 150) | (38 107) |
| Repair and maintenance expenses | (86 135) | (24 433) | (93 692) | (34 585) |
| Transportation costs | (15 038) | (3 697) | (14 392) | (3 750) |
| Telecommunications and IT services | (23 900) | (7 267) | (21 134) | (5 701) |
| Rent and utilities | (9 454) | (2 415) | (9 745) | (2 421) |
| Profit (loss) from disposal of property, plant and equipment | 360 | 360 | - | - |
| Evaluation result of other asset | - | - | 4 264 | - |
| Revaluation of property, plant and equipment | (759 433) | (759 433) | - | - |
| Effects of change in the value of investment property | - | - | - | - |
| Other expenses | (31 423) | (3 309) | (43 846) | (14 396) |
| Operating profit (loss) | (662 096) | (749 748) | 53 427 | 5 676 |
| Finance income | 1 489 | 462 | 3 513 | 874 |
| Finance (costs) | (7 759) | (1 900) | (6 870) | (1 651) |
| Finance income /(costs), net | (6 270) | (1 438) | (3 357) | (777) |
| Profit (loss) on investment in associates | - | - | - | - |
| Profit (loss) before income tax | (668 366) | (751 186) | 50 070 | 4 899 |
| Income tax | 104 366 | 116 902 | (6 698) | (688) |
| Net profit (loss) for the year | (564 000) | (634 284) | 43 372 | 4 211 |
| Other comprehensive income (expenses): | | | | |
| Gain (loss) on revaluation of property, plant and equipment | (1 346 507) | (1 346 507) | - | - |
| Effects of deferred income tax | 201 976 | 201 976 | - | - |
| Other comprehensive income (expenses) | (1 144 531) | (1 144 531) | - | - |
| Gross profit (loss) for the year | (1 708 531) | (1 778 815) | 43 372 | 4 211 |
| Net profit (loss) for the year attributable to: | | | | |
| Owners of the Company | (564 000) | (634 284) | 43 372 | 4 211 |
| Non-controlling interest | - | - | - | - |
| | (564 000) | (634 284) | 43 372 | 4 211 |
| Gross profit (loss) for the year attributable to: | | | | |
| Owners of the Company | (1 708 531) | (1 778 815) | 43 372 | 4 211 |
| Non-controlling interest | - | - | - | - |
| | (1 708 531) | (1 778 815) | 43 372 | 4 211 |
| Earnings per share ratio | (2,829) | (2,945) | 0,072 | 0,007 |

Statement of changes in equity, thousand LTL

| GROUP | Share capital | Revaluation reserve | Legal reserve | Other reserves | Retained earnings | Total | Non-controlling interest | Total equity |
|---|----------------|---------------------|---------------|----------------|-------------------|---------------------|--------------------------|---------------------|
| Balance at 1 January 2013 | 603 945 | 1 634 355 | 60 450 | - | 1 001 228 | 3 299 978 | 131 452 | 3 431 430 |
| Comprehensive income | | | | | | | | |
| Profit (loss) for the period | - | - | - | - | 46 474 | 46 474 | 1 172 | 47 646 |
| Other comprehensive income (expenses): | | | | | | | | |
| Transfers to retained earnings (transfer of depreciation, net of deferred income tax) | - | (168 542) | - | - | 168 542 | - | - | - |
| Total comprehensive income | - | (167 795) | - | - | 215 016 | 47 221 | 1 147 | 48 368 |
| Transfers to reserves | - | - | (56) | - | 56 | - | - | - |
| Dividends relating to 2012 | - | - | - | - | (102 670) | (102 670) | - | (102 670) |
| Total payments to owners | - | - | (56) | - | (102 614) | (102 670) | - | (102 670) |
| Loss on acquisition of controlling interest | - | - | - | - | (2 406) | (2 406) | (5 620) | (8 026) |
| Non-controlling interests' contribution to the share capital of subsidiary | - | - | - | - | - | - | - | - |
| Total transactions with owners | - | - | - | - | (2 406) | (2 406) | (5 620) | (8 026) |
| Balance at 31 December 2013 | 603 945 | 1 466 560 | 60 394 | - | 1 111 224 | 3 242 123 | 126 979 | 3 369 102 |
| Balance at 1 January 2014 | 603 945 | 1 466 560 | 60 394 | - | 1 111 224 | 3 242 123 | 126 979 | 3 369 102 |
| Comprehensive income | | | | | | | | |
| Profit (loss) for the period | - | - | - | - | (562 012) | (562 012) | 821 | (561 191) |
| Other comprehensive income (expenses): | | | | | | | | |
| Transfers to retained earnings (transfer of depreciation, net of deferred income tax) | - | (1 142 016) | - | - | - | (1 142 016) | 1 875 | (1 140 141) |
| Total comprehensive income | - | (1 224 875) | - | - | (479 153) | (1 704 028) | 2 696 | (1 701 332) |
| Transactions with owners | | | | | | | | |
| Transfers to reserves | - | - | 7 | - | (7) | - | - | - |
| Dividends | - | - | - | - | (181 182) | (181 182) | - | (181 182) |
| Total payments to owners | - | - | 7 | - | (181 189) | (181 182) | - | (181 182) |
| Balance at 31 December 2014 | 603 945 | 241 685 | 60 401 | - | 450 882 | 1 356 913 | 129 675 | 1 486 588 |

| COMPANY | Share capital | Revaluation reserve | Legal reserve | Other reserves | Retained earnings | Total equity |
|---|----------------|---------------------|---------------|----------------|-------------------|---------------------|
| Balance at 1 January 2013 | 603 945 | 1 605 245 | 60 394 | - | 1 044 584 | 3 314 168 |
| Comprehensive income | | | | | | |
| Profit (loss) for the period | - | - | - | - | 43 372 | 43 372 |
| Transfers to retained earnings (transfer of depreciation, net of deferred income tax) | - | (167 480) | - | - | 167 480 | - |
| Total comprehensive income | - | (167 480) | - | - | 210 852 | 43 372 |
| Dividends relating to 2012 | - | - | - | - | (102 670) | (102 670) |
| Total transactions with owners | - | - | - | - | (102 670) | (102 670) |
| Balance at 31 December 2013 | 603 945 | 1 437 765 | 60 394 | - | 1 152 766 | 3 254 870 |
| Balance at 1 January 2014 | 603 945 | 1 437 765 | 60 394 | - | 1 152 766 | 3 254 870 |
| Comprehensive income | | | | | | |
| Profit (loss) for the period | - | - | - | - | (564 000) | (564 000) |
| Other comprehensive income (expenses): | - | (1 144 531) | - | - | - | (1 144 531) |
| Transfers to retained earnings (transfer of depreciation, net of deferred income tax) | - | (81 494) | - | - | 81 494 | - |
| Total comprehensive income | - | (1 226 025) | - | - | (482 506) | (1 708 531) |
| Dividends | - | - | - | - | (181 184) | (181 184) |
| Total transactions with owners | - | - | - | - | (181 184) | (181 184) |
| Balance at 31 December 2014 | 603 945 | 211 740 | 60 394 | - | 489 076 | 1 365 155 |

Cash flow statement, thousand LTL

| | GROUP | | COMPANY | |
|--|-------------------|-------------------|-------------------|-------------------|
| | 2014 | 2013 | 2014 | 2013 |
| Cash flows from operating activities | | | | |
| Profit (loss) for the year | (561 191) | 47 646 | (564 000) | 43 372 |
| Adjustment for: | | | | |
| – Income tax | (103 688) | 7 502 | (104 366) | 6 698 |
| – Depreciation and amortisation | 355 553 | 379 767 | 344 128 | 369 379 |
| – Revaluation of property, plant and equipment | 766 435 | 415 | 759 433 | - |
| – Change in value of investment property | (1 430) | (575) | - | - |
| – Asset evaluation result | 537 | (3 142) | - | (4 264) |
| – Amortisation of grants | (3 201) | (3 019) | (3 201) | (3 019) |
| – Gain (loss) on disposal and write-off property, plant and equipment | 13 802 | 12 659 | 13 236 | 12 922 |
| – (Profit) loss for the investments in associates | (381) | (1 468) | - | - |
| – Dividend income | - | - | (171) | - |
| – Finance (income) | (1 229) | (3 150) | (1 318) | (3 513) |
| – Finance costs | 8 054 | 7 012 | 7 759 | 6 870 |
| Changes in working capital: | | | | |
| – Trade and other receivables | 3 323 | (18 008) | 3 398 | (13 735) |
| – Inventories, prepayments, deferred charges and accrued income | 1 668 | (925) | 357 | (1 815) |
| – Trade and other payables, advances received, accrued charges and deferred income | (72 845) | (10 525) | (71 667) | (9 278) |
| Cash generated from operations | 405 407 | 414 189 | 383 588 | 403 617 |
| – Income tax paid | (33 158) | (44 487) | (32 976) | (44 190) |
| Net cash generated from operating activities | 372 249 | 369 702 | 350 612 | 359 427 |
| Cash flows from investing activities | | | | |
| – Purchase of property, equipment and intangible assets | (327 171) | (312 684) | (308 468) | (296 232) |
| – Proceeds from sale of property, plant and equipment | 2 427 | 1 132 | 923 | 109 |
| – Acquisition of subsidiaries and associates | 14 339 | (1 275) | 14 339 | (1 275) |
| – Grants received | (14 250) | 6 485 | (14 250) | 6 485 |
| – Loan repayments received | 502 | 456 | 502 | 456 |
| – Term deposits | - | 3 000 | - | - |
| – Dividends received | - | - | 171 | - |
| – Interest received | 48 | 393 | 137 | 741 |
| Net cash used in investing activities | (324 105) | (302 493) | (306 646) | (289 716) |
| Cash flows from financing activities | | | | |
| – Proceeds from borrowings | 233 590 | 169 698 | 233 590 | 169 698 |
| – Repayments of borrowings | (55 850) | (140 145) | (55 850) | (140 145) |
| – Dividends paid to the Company's shareholders | (182 030) | (102 386) | (182 030) | (102 386) |
| – Interest paid | (8 054) | (7 059) | (7 759) | (6 917) |
| Net cash used in financing activities | (12 344) | (79 892) | (12 049) | (79 750) |
| Net (decrease) in cash and cash equivalents | 35 800 | (12 683) | 31 917 | (10 039) |
| Cash and cash equivalents at beginning of year | (44 118) | (31 435) | (61 959) | (51 920) |
| Cash and cash equivalents at end of the period | (8 318) | (44 118) | (30 042) | (61 959) |