

2015

# LESTO AB COMPANY'S CONDENSED INTERIM FINANCIAL STATEMENTS

COMPANY'S CONDENSED FINANCIAL STATEMENTS FOR THE SECOND QUARTER OF 2015 AND THE FIRST HALF OF 2015 PREPARED ACCORDING TO INTERNATIONAL ACCOUNTING STANDARD 34, 'INTERIM FINANCIAL REPORTING' AS ADOPTED BY THE EUROPEAN UNION, PRESENTED TOGETHER WITH THE INDEPENDENT AUDITOR'S REPORT

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## **Independent Auditor's Report**

To the shareholders of LESTO AB

### **Report on the condensed interim financial statements**

We have audited the accompanying stand-alone condensed interim financial statements of LESTO AB ("the Company") set out on pages 5 to 19, which comprise the stand-alone condensed interim statement of financial position as of 30 June 2015 and the stand-alone condensed interim statements of profit or loss and comprehensive income for the three month and six month periods then ended, the stand-alone condensed interim statements of changes in equity and cash flows for the six month period then ended, and notes comprising a summary of significant accounting policies and other explanatory information ("the condensed interim financial statements").

#### *Management's responsibility for the condensed interim financial statements*

Management is responsible for the preparation of these condensed interim financial statements in accordance with International Accounting Standard 34, 'Interim financial reporting' as adopted by the European Union and the Commission's interpretation as described in Note 2, and for such internal control as management determines is necessary to enable the preparation of condensed interim financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on these condensed interim financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the condensed interim financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the condensed interim financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the condensed interim financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the condensed interim financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the condensed interim financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

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PricewaterhouseCoopers UAB, company code 111473315, is a private company registered with the Lithuanian Register of Legal Entities.



*Basis for Qualified Opinion*

According to the Company's accounting policy, property, plant and equipment are carried at revalued amounts, being their fair values as of the date of revaluation less subsequent accumulated depreciation and impairment losses. As explained in note 5, management has assessed the fair values of property plant and equipment as of 31 December 2014 and accounted for the related revaluation. Management did not determine the fair values of property, plant and equipment with carrying amounts of EUR 1,287 million as of 30 June 2014 and EUR 1,303 million as of 31 December 2013, although impairment indicators existed as of those dates. Our audit opinions on the financial statements for the period ended 30 June 2014 and year ended 31 December 2014 were modified accordingly. As the fair values were not determined as of the above dates, we were unable to assess in which period the revaluation loss should have been recognised, and by which amount the depreciation expense of the comparative periods presented in these condensed interim financial statements should have been adjusted. Our opinion is therefore modified because of the effect of this matter on the comparability of the current period's figures and the corresponding figures.

*Qualified opinion*

In our opinion, except for the effect of the matter described in the *Basis for Qualified Opinion* paragraph, the condensed interim financial statements for the Company standing alone are prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim financial reporting' as adopted by the European Union and the Commission's interpretation as described in Note 2.

On behalf of PricewaterhouseCoopers UAB

  
Rimvydas Jogėla  
Partner  
Auditor's Certificate No.000457

Vilnius, Republic of Lithuania  
19 August 2015

  
Jurgita Krikščiūniene  
Auditor's Certificate No.000495

## CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

Company	Note	At 30 June 2015	At 31 December 2014
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	706 329	682 634
Intangible assets	6	2 363	2 553
Investments in subsidiaries	17	-	58 982
Investments in associates	17	1 374	1 374
Deferred income tax assets		-	2 041
Non-current amounts receivable	7	22 709	480
		<b>732 775</b>	<b>748 064</b>
<b>Current assets</b>			
Inventories	8	2 177	1 604
Trade and other receivables	9	76 129	56 210
Prepayments, deferred charges and accrued income		6 591	6 264
Cash and cash equivalents	10	15 134	4 109
		<b>100 031</b>	<b>68 187</b>
<b>Total assets</b>		<b>832 806</b>	<b>816 251</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the Company</b>			
Authorised share capital		175 144	174 915
Revaluation reserve		58 018	61 324
Legal reserve		17 491	17 491
Retained earnings		174 656	140 390
<b>Total equity</b>		<b>425 309</b>	<b>394 120</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	15	148 557	99 855
Deferred income tax liability		297	
Deferred income		81 480	83 663
Grants and subsidies		15 382	8 983
Long-term employee benefits		1 133	1 158
Other non-current liabilities		152	107
		<b>247 001</b>	<b>193 766</b>
<b>Current liabilities</b>			
Borrowings	15	70 560	122 223
Trade and other payables	13	67 245	81 810
Advance amounts received, accrued charges and deferred income		19 827	21 543
Income tax payable		2 864	2 789
		<b>160 496</b>	<b>228 365</b>
<b>Total liabilities</b>		<b>407 497</b>	<b>422 131</b>
<b>Total equity and liabilities</b>		<b>832 806</b>	<b>816 251</b>

The accompanying notes form an integral part of this condensed interim financial information.

19 August 2015

**Aidas Ignatavičius**  
Chief Executive Officer

19 August 2015

**Andrius Bendikas**  
Director of Finance and  
Administration Service

19 August 2015

**Giedruolė Guobienė**  
Verslo Aptarnavimo Centras UAB,  
Head of Reporting, Tax Accounting  
and Control Division acting under  
Order No V-020 of 27 April 2015

LESTO AB, company code 302577612 Aiguonų 26, Vilnius, Lithuania  
**COMPANY'S CONDENSED INTERIM FINANCIAL STATEMENTS**  
**for the six-month period ended 30 June 2015**

All amounts in EUR thousands unless otherwise stated

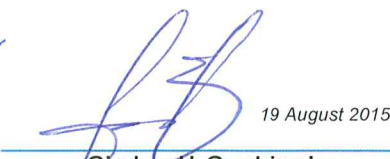
**CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER  
 COMPREHENSIVE INCOME**

Company	Notes	1H 2015	Q2 2015	1H 2014	Q2 2014
Revenue	16	292 632	136 827	324 221	150 489
Purchases of electricity and related services		( 180 344)	( 85 113)	( 214 335)	( 99 626)
Depreciation and amortisation		( 17 532)	( 8 719)	( 49 028)	( 24 763)
Employee benefits and related social security contributions		( 17 842)	( 8 745)	( 18 620)	( 9 145)
Repair and maintenance expenses		( 12 086)	( 6 851)	( 11 885)	( 6 882)
Transportation expenses		( 2 052)	( 1 036)	( 2 193)	( 1 083)
Telecommunications and IT services		( 3 352)	( 1 667)	( 3 152)	( 1 644)
Rent and utility services		( 1 308)	( 623)	( 1 382)	( 651)
Other expenses		( 6 474)	( 3 941)	( 5 404)	( 2 784)
<b>Operating profit (loss)</b>		<b>51 642</b>	<b>20 132</b>	<b>18 222</b>	<b>3 911</b>
Finance income		372	225	206	118
Finance costs		( 1 302)	( 520)	( 1 127)	( 615)
<b>Finance costs – net</b>		<b>( 930)</b>	<b>( 295)</b>	<b>( 921)</b>	<b>( 497)</b>
<b>Profit (loss) before income tax</b>		<b>50 712</b>	<b>19 837</b>	<b>17 301</b>	<b>3 414</b>
Income tax		( 7 673)	( 4 417)	( 2 608)	( 503)
<b>Net profit (loss) for the period</b>		<b>43 039</b>	<b>15 420</b>	<b>14 693</b>	<b>2 911</b>
<b>Other comprehensive income</b>					
<b>Total comprehensive income (loss) for the period</b>		<b>43 039</b>	<b>15 420</b>	<b>14 693</b>	<b>2 911</b>
		0,071	0,026	0,024	0,005
Basic and diluted earnings per share (in EUR)					

The accompanying notes form an integral part of this condensed interim financial information.

  
 19 August 2015  
**Aidas Ignatavičius**  
 Chief Executive Officer

  
 19 August 2015  
**Andrius Bendikas**  
 Director of Finance and  
 Administration Service

  
 19 August 2015  
**Giedruolė Guobienė**  
 Verslo Aptarnavimo Centras UAB,  
 Head of Reporting, Tax Accounting  
 and Control Division acting under  
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**LESTO AB, company code 302577612** Agonų. 26, Vilnius, Lithuania  
**COMPANY'S CONDENSED INTERIM FINANCIAL STATEMENTS**  
**for the six-month period ended 30 June 2015**

All amounts in EUR thousands unless otherwise stated

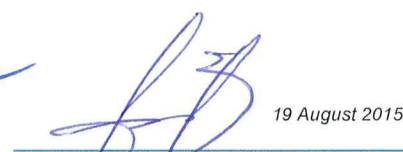
**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY**

Company	Authorised share capital	Revaluation reserve	Legal reserve	Retained earnings	Total equity
<b>Balance at 1 January 2014</b>	<b>174 915</b>	<b>416 406</b>	<b>17 491</b>	<b>333 864</b>	<b>942 676</b>
<b>Comprehensive income</b>					
Net profit (loss) for the period	-	-	-	14 693	14 693
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14 693</b>	<b>14 693</b>
Transfers to retained earnings (transfer of depreciation, net of deferred income tax)	-	( 22 281)	-	22 281	-
Dividends relating to 2013	-	-	-	( 33 234)	( 33 234)
<b>Balance at 30 June 2014</b>	<b>174 915</b>	<b>394 125</b>	<b>17 491</b>	<b>337 604</b>	<b>924 135</b>
<b>Balance at 1 January 2015</b>	<b>174 915</b>	<b>61 324</b>	<b>17 491</b>	<b>140 390</b>	<b>394 120</b>
<b>Comprehensive income</b>					
Net profit (loss) for the period	-	-	-	43 039	43 039
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>43 039</b>	<b>43 039</b>
Transfers to retained earnings (transfer of depreciation, net of deferred income tax)	-	( 3 306)	-	3 306	-
Result of the conversion of the nominal value of shares to the euro	11 229	-	-	-	229
Dividends relating to 2014	12 -	-	-	( 12 079)	( 12 079)
<b>Balance at 30 June 2015</b>	<b>175 144</b>	<b>58 018</b>	<b>17 491</b>	<b>174 656</b>	<b>425 309</b>

The accompanying notes form an integral part of this condensed interim financial information.

  
 19 August 2015  
**Aidas Ignatavičius**  
 Chief Executive Officer

  
 19 August 2015  
**Andrius Bendikas**  
 Director of Finance and Administration Service

  
 19 August 2015  
**Giedruolė Guobienė**  
 Verslo Aptarnavimo Centras UAB,  
 Head of Reporting, Tax Accounting and Control Division acting under Order No V-020 of 27 April 2015

## CONDENSED INTERIM STATEMENT OF CASH FLOWS

Company	Notes	1H 2015	1H 2014
<b>Cash flows from operating activities</b>			
Net profit (loss) for the period		43 039	14 693
<b>Adjustments for:</b>			
Income tax expense/(income)		7 673	2 608
Depreciation and amortisation		17 750	49 464
Amortisation of grants		( 218)	( 436)
Gain/(loss) on disposal and write-off of assets		1 040	1 641
Gain)/(loss) on disposal of investments in subsidiaries		76	-
Dividend income		-	( 49)
Finance (income)		( 372)	( 157)
Finance costs		1 302	1 127
<b>Changes in working capital:</b>			
Trade and other receivables		7 800	6 733
Inventories, prepayments, deferred charges and accrued income		( 899)	79
Trade and other payables, advance amounts received, accrued charges and deferred income		( 7 152)	( 18 318)
<b>Cash generated from operating activities</b>		<b>70 039</b>	<b>57 385</b>
Income tax paid		( 5 260)	( 5 353)
<b>Net cash generated from operating activities</b>		<b>64 779</b>	<b>52 032</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment and intangible assets		( 53 666)	( 42 443)
Acquisition of subsidiary		-	( 1 287)
Disposal of subsidiaries		12 214	-
Proceeds from sale of property, plant and equipment		25	43
Grants received		3 618	2 011
Loans repayments received		33	57
Dividends received		-	49
Interest received		79	53
<b>Net cash used in investing activities</b>		<b>( 37 697)</b>	<b>( 41 517)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		79 500	42 652
Repayments of borrowings		( 88 087)	( 8 088)
Dividends paid to the Company's shareholders		( 12 014)	( 33 141)
Interest paid		( 1 083)	( 1 126)
<b>Net cash used in financing activities</b>		<b>( 21 684)</b>	<b>297</b>
<b>(Decrease) in cash and cash equivalents</b>		<b>5 398</b>	<b>10 812</b>
Cash and cash equivalents at beginning of the period	10	( 8 701)	( 17 945)
<b>Cash and cash equivalents at the end of the period</b>	<b>10</b>	<b>( 3 303)</b>	<b>( 7 133)</b>

The accompanying notes form an integral part of this condensed interim financial information.

19 August 2015

**Aidas Ignatavičius**  
Chief Executive Officer

19 August 2015

**Andrius Bendikas**  
Director of Finance and  
Administration Service

19 August 2015

**Giedruolė Guobienė**  
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## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

### 1 General information

LESTO AB (hereinafter “the Company”) is a public limited liability company registered in the Republic of Lithuania. The Company was registered with the Register of Legal Entities on 27 December 2010. The Company started its activities with effect from 1 January 2011. The shares of the Company have been listed on the main list of NASDAQ OMX Vilnius Stock Exchange since 17 January 2011. The address of its registered office is as follows:

Aguonų g. 26,  
 LT-03212 Vilnius,  
 Lithuania.

The Company was established following the reorganisation of Rytų Skirstomieji Tinklai AB (RST) and VST AB (VST) by way of merger. Under the terms and conditions of the reorganisation approved by the decisions of the extraordinary general meetings of shareholders of RST and VST on 13 December 2010, a transfer-acceptance statement was signed on 31 December 2010, on the basis of which the Company took over all the assets, rights and obligations of RST and VST. The moment of the take-over of assets, rights and obligations by the Company was 1 January 2011, 00:00 am.

The Company's core lines of business include electricity supply and distribution. The Company operates a medium and low voltage electricity distribution network and it is a sole provider of electricity distribution services to consumers across the entire territory of Lithuania.

On 19 December 2014, the National Control Commission for Prices and Energy established the price caps for electricity distribution services for the year 2015 as follows:

- electricity distribution services via medium voltage network – 4,068 ct/kWh or 1,178 euro ct/kWh (2014: 4,479 ct/kWh or 1,297 euro ct/kWh);
- electricity distribution services via low voltage network – 5,351 ct/kWh or 1,550 euro ct/kWh (2014: 6,162 ct/kWh or 1,785 euro ct/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 ct/kWh for public electricity supply services for the year 2015 (2014: 0,52 ct/kWh or 0,151 euro ct/kWh).

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 ct/kWh (excl. VAT) to private consumers who receive electricity via medium voltage network for 2015 (2014: 31,616 ct/kWh or 9,157 euro ct/kWh (excl. VAT)), and the price cap of 35,099 ct/kWh or 10,165 euro ct/kWh (excl. VAT) to private consumers who receive electricity via low voltage network for 2015 (2014: 37,778 ct/kWh or 10,941 euro ct/kWh (excl. VAT)).

The Company's activities are regulated by the Lithuanian Law on Energy, Lithuanian Law on Electricity and other regulatory legislation.

The shareholders' structure of the Company was as follows:

	At 30 June 2015		At 31 December 2014	
	Number of shares held	Ownership interest, %	Number of shares held	Ownership interest, %
Lietuvos Energija, UAB	570 066 682	94,39%	570 066 682	94,39%
Other shareholders	33 877 911	5,61%	33 877 911	5,61%
<b>Total</b>	<b>603 944 593</b>	<b>100%</b>	<b>603 944 593</b>	<b>100%</b>

As at 30 June 2015, Lietuvos Energija, UAB was the parent of the Company. Lietuvos Energija, UAB is wholly owned by the Lithuanian Government represented by the Lithuanian Ministry of Finance.

All shares of the Company with the nominal value of EUR 0,29 each are ordinary shares and they have been fully paid as at 30 June 2015 and 31 December 2014. The Company does not hold any shares other than those mentioned above, and its Articles of Association do not provide for any restrictions on shares or special control rights of shareholders. The Company has not acquired its own shares.

The Company's subsidiaries and associates are listed below:

**LESTO AB, company code 302577612 Aguonų. 26, Vilnius, Lithuania**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION**  
**for the six-month period ended 30 June 2015**

All amounts in EUR thousands unless otherwise stated

Subsidiary or associate	Country	Year of acquisition	The Group's ownership interest (%)		Profile of activities
			At 30 June 2015	At 31 December 2014	
Elektros Tinklo Paslaugos UAB	Lithuania	2004	-	100%	Construction, reconstruction, repair and maintenance of electricity facilities
NT Valdos, UAB	Lithuania	2010	-	57,30%	Real estate management services
Technologijų ir Inovacijų Centras UAB	Lithuania	2013	20,02%	20,02%	Information technology and telecommunication, and other services to the shareholders
Verslo Aptarnavimo Centras UAB	Lithuania	2014	15,00%	15,00%	Public procurement organisation and implementation, accounting and personnel administration services to the shareholders

As at 30 June 2015, the Company had 2 205 (31 December 2014: 2 229) employees.

On 3 March 2015, the Company released the statement on a material event to inform about the programme initiated within the group of the Lithuanian energy companies aimed at identifying central activities of this group. Under the concept of the programme the merger of LESTO AB and Lietuvos Dujos AB by establishing a single entity of distribution networks is scheduled to be completed by the end of December 2015, which will start its operations from 1 January 2016. On 29 May 2015, the extraordinary general shareholder meeting of LESTO AB was held where a decision was made to approve the preparation of the terms and conditions of the reorganisation of LESTO AB and Lietuvos Dujos AB by way of merger.

## 2 Basis of preparation

The Company's condensed interim financial statements for the first half of 2015 have been prepared according to International Financial Reporting Standards as adopted by the European Union and applicable to interim financial reporting (International Accounting Standard 34, 'Interim financial reporting'). The Company has also prepared the consolidated condensed interim financial information for the period ended 30 June 2015. This consolidated condensed interim financial information will not be audited.

The Company's condensed interim financial statements for the first half of 2015 should be read in conjunction with the Company's annual financial statements for the year ended 31 December 2014, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with the consolidated condensed interim financial information (unaudited) for the six-month period ended 30 June 2015, which has been announced publicly.

## 3 Accounting policies

Except as described below, all the accounting policies applied in the preparation of this condensed interim financial information are consistent with those of the annual financial statements for the year ended 31 December 2014.

### Income tax

Income tax in the interim periods is accrued using the tax rate that would be applicable to expected total annual earnings.

### Functional and presentation currency

These condensed interim financial statements are presented in the national currency the euro (EUR), which is the Company's functional and presentation currency. Until 31 December 2014, the currency of the Republic of Lithuania was the litas. The litas was pegged to the euro at the exchange rate of LTL 3,4528 to EUR 1. With effect from 1 January 2015, Lithuania joined the euro area and the euro became its national currency. The euro replaced the litas at the exchange rate of LTL 3,4528 to EUR 1. The Company converted comparative figures from the litas to the euro using the official exchange rate, i.e. LTL 3,4528 to EUR 1. The conversion of the authorised share capital is disclosed in Note 11.

### New and amended standards, and interpretations

There are no new standards, amendments and interpretations that are mandatory for the Company with effect from 2015, and that would have a material impact on the Company's financial information.

The Company's management do not believe the newly published standards, amendments and interpretations that are mandatory for the Company's reporting periods beginning on or after 1 January 2016 will have a material impact on the Company's financial statements.

## 4 Critical accounting estimates

The preparation of the condensed interim financial information requires management to make estimates and use assumptions that affect the accounting policies applied and reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

**LESTO AB, company code 302577612 Aguonų. 26, Vilnius, Lithuania**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION**  
**for the six-month period ended 30 June 2015**

All amounts in EUR thousands unless otherwise stated

The significant management judgements regarding the application of the accounting policies and the main sources for determining uncertainties used in the preparation of these condensed interim financial statements are consistent with those of the annual financial statements for the year ended 31 December 2014, except as indicated below.

Depreciation rates of property, plant and equipment

In 2014, the Company reviewed the remaining useful lives of its property, plant and equipment. The remaining useful lives of separate items of PP&E were estimated with reference to the lowa depreciation curves. Based on lowa curves, the useful life assets exceeds the standard useful life for financial reporting purposes, because the useful life of obsolete items of assets, if properly maintained and supported, may become longer than the standard useful lives of assets. The reviewed useful lives were applied when calculating depreciation expenses from 1 January 2015.

Write-down of inventory to net realisable value

In 2015, a new policy for the write-down of inventory to net realisable value was approved. Inventories have been classified as ageing and non-ageing based on their technical characteristics, the purpose of use, useful life, etc. Expiry terms have been established for ageing inventories, at the end of which inventories are fully provided for. For non-ageing inventories a 0% write-down allowance is calculated. A special procedure for the determination and calculation of inventory write-down allowance is performed once a year, during which inventories no longer fit for use (due to a physical condition, changes in technological processes and other reasons) are identified.

Disposal of NT Valdos, UAB

On 27 April 2015, the Company sold to Lietuvos Energija, UAB 2 954,084 ordinary registered shares of NT Valdos, UAB representing 57,30% of the share capital of NT Valdos, UAB. The share sale agreement stipulates that the sale price comprises the Basic Sale Price and the Basic Sale Price Premium, which will be paid by 31 March 2019, if financial ratios set forth in the agreement are met. The Company accounted for the sale price premium under the line item 'Non-current amounts receivable' of the statement of financial position, because, management believes that financial ratios set forth in the sale agreement will be achieved. The result of the recognised sale transaction comprised gain from the disposal of shares and expenses related to the adjustment of the fair value of the sale price premium (Note 17).

## 5 Property, plant and equipment

The movement on the Company's property, plant and equipment account is as follows:

Company	Land	Buildings	Structures and machinery	Motor vehicles	Computer hardware and other communication equipment	Other property, plant and equipment	Construction in progress	Total
<b>Six-month period ended 30 June 2014</b>								
<b>Net book amount at 1 January 2014</b>	<b>79</b>	<b>69 869</b>	<b>1 199 616</b>	<b>7</b>	<b>192</b>	<b>18 815</b>	<b>14 561</b>	<b>1 303 138</b>
Additions	-	103	144	-	-	-	34 568	34 815
Disposals	-	( 29)	( 30)	-	-	-	-	( 59)
Change in impairment	-	-	( 2)	-	-	-	2	-
Write-offs	-	( 55)	( 1 569)	-	-	( 2)	( 2)	( 1 628)
Reclassifications between groups, transferred to intangible assets, inventories, assets held for sale	-	717	32 545	-	-	349	( 33 611)	-
Depreciation charge	-	( 2 663)	( 44 282)	( 1)	( 50)	( 2 075)	-	( 49 070)
<b>Net book amount at 30 June 2014</b>	<b>79</b>	<b>67 942</b>	<b>1 186 422</b>	<b>6</b>	<b>142</b>	<b>17 088</b>	<b>15 517</b>	<b>1 287 196</b>
<b>Six-month period ended 30 June 2015</b>								
<b>Net book amount at 1 January 2015</b>	<b>79</b>	<b>18 269</b>	<b>646 112</b>	<b>4</b>	<b>196</b>	<b>6 693</b>	<b>11 281</b>	<b>682 634</b>
Additions	-	131	76	-	-	-	41 658	41 865
Disposals	-	( 3)	( 11)	-	( 13)	-	-	( 27)
Write-offs	-	( 8)	( 1 026)	-	-	( 4)	-	( 1 038)
Reclassifications between groups, transferred to intangible assets, inventories, assets held for sale	-	712	40 865	-	18	548	( 42 143)	-
Depreciation charge	-	( 993)	( 15 428)	-	( 22)	( 662)	-	( 17 105)
<b>Net book amount at 30 June 2015</b>	<b>79</b>	<b>18 108</b>	<b>670 588</b>	<b>4</b>	<b>179</b>	<b>6 575</b>	<b>10 796</b>	<b>706 329</b>

Additions under 'Construction in progress' increased mainly as a result of reconstruction works of electricity networks and replacement of complete transformers with pole-mounted transformers.

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Write-offs mainly represent write-offs of structures and electricity network equipment as a result of the implementation of reconstruction works of electricity networks when replacing old equipment with the new one.

Revaluation of property plant and equipment at 31 December 2014

The Company accounts for property, plant and equipment at revalued amount in accordance with IAS 16, 'Property, plant and equipment'. Based on the requirements set forth in paragraph 31 of IAS 16, in 2014 the Company performed valuation of its property, plant and equipment with reference to the report on valuation of PP&E prepared by Ernst & Young Baltic UAB, and determined that the fair value of PP&E (including construction in progress) as at 31 December 2014 amounted to EUR 683 million, which was EUR 618 million lower than the carrying amount of PP&E equal to EUR 1 301 million as at 31 December 2014. A significant change in the value of PP&E was mainly caused by application of economic obsolescence. In view of the decisions adopted during the period 2009-2015 by the National Control Commission for Prices and Energy (the Commission) and based on economic obsolescence estimates (using the income method), the value of the Company's PP&E is lower than that, which is estimated under the cost method.

The fair value of the Company's property, plant and equipment was determined using the income and cost methods. All PP&E was attributed to Level 3 in the fair value hierarchy, as set forth in IFRS 13.

Valuation of property was carried out in the following stages: (i) replacement cost of new assets was estimated; (ii) physical and functional obsolescence of assets was determined; (iii) possible recoverability of assets was assessed (using the income method).

When estimating economic obsolescence, a cash flow forecast was prepared for the period from IVQ 2014 to 2024. There have been no significant changes in key assumptions used in the cash flow forecast to estimate economic obsolescence of assets since the last valuation of assets, therefore, these assumptions are regarded as relevant as at 30 June 2015 as well.

It is important to note that all above-mentioned assumptions used for the valuation of assets did not significantly change during the period from the last valuation of property, plant and equipment until 30 June 2015, therefore, no possible impairment indications have been identified with respect to property, plant and equipment as at 30 June 2015.

All PP&E was attributed to Level 3 in the fair value hierarchy, as set forth in IFRS 13. The distribution of the fair value of the Company's property, plant and equipment according to the fair value hierarchy levels is as follows as at 30 June 2015:

	Level 1	Level 2	Level 3	Total
	Quoted prices in active markets	Other directly or indirectly observable inputs	Unobservable inputs	
Land	-	-	79	79
Buildings	-	-	18 108	18 108
Structures and machinery	-	-	670 588	670 588
Motor vehicles	-	-	4	4
Other property, plant and equipment	-	-	6 754	6 754
Construction in progress	-	-	10 796	10 796
<b>Fair value at 30 June 2015</b>	-	-	<b>706 329</b>	<b>706 329</b>

The distribution of the fair value of the Company's property, plant and equipment as at 31 December 2014:

	Level 1	Level 2	Level 3	Total
	Quoted prices in active markets	Other directly or indirectly observable inputs	Unobservable inputs	
Land	-	-	79	79
Buildings	-	-	18 269	18 269
Structures and machinery	-	-	646 112	646 112
Motor vehicles	-	-	4	4
Other property, plant and equipment	-	-	6 889	6 889
Construction in progress	-	-	11 281	11 281
<b>Fair value at 31 December 2014</b>	-	-	<b>682 634</b>	<b>682 634</b>

## 6 Intangible assets

Company	Patents and licences	Computer software	Other intangible assets	Projects in progress	Total
<b>Six-month period ended 30 June 2014</b>					
<b>Net book amount at 1 January 2014</b>	<b>6</b>	<b>1 482</b>	<b>45</b>	<b>1 150</b>	<b>2 683</b>
Additions	-	-	126	-	126
Reclassification between categories	-	265	-	( 265)	-
Amortisation charge	( 3)	( 382)	( 9)	-	( 394)
<b>Net book amount at 30 June 2014</b>	<b>3</b>	<b>1 365</b>	<b>162</b>	<b>885</b>	<b>2 415</b>
<b>Six-month period ended 30 June 2015</b>					
<b>Net book amount at 1 January 2015</b>	<b>34</b>	<b>2 302</b>	<b>41</b>	<b>176</b>	<b>2 553</b>
Additions	-	-	-	455	455
Amortisation charge	(6)	( 628)	( 11)	-	( 645)
<b>Net book amount at 30 June 2015</b>	<b>28</b>	<b>1 674</b>	<b>30</b>	<b>631</b>	<b>2 363</b>

## 7 Non-current receivables

Non-current receivables consist of mortgage loans granted to private individuals for a period of 25 years, and the non-current portion of loans, amounts receivable from related companies.

The mortgage loans are repayable in instalments till 2027. These loans are secured over residential housing property. In the first half of 2015, the current portion of these loans amounted to EUR 80 thousand (2014: EUR 76 thousand) and was accounted for under trade and other receivables (Note 9). These loans were issued at a fixed interest rate ranging from 0.1 to 1 per cent.

The non-current portion of amounts receivable from related companies comprises the part of the amount due from Lietuvos Energija UAB for sale of shares of Elektros Tinklo Paslaugos UAB and NT Valdosa, UAB (Note 17), the settlement of which is scheduled after 30 June 2016.

Company	At 30 June 2015	At 31 December 2014
Non-current portion of mortgage loans granted	445	480
Non-current portion of amounts receivable from related parties (Note 18)	22 264	-
<b>Total</b>	<b>22 709</b>	<b>480</b>

## 8 Inventories

Company	At 30 June 2015	At 31 December 2014
Raw materials and spare parts	1 215	1 208
Electricity meters	670	657
Fuel	38	35
Other	266	324
Less: write-down allowance for inventories	(12)	( 620)
<b>Total</b>	<b>2 177</b>	<b>1 604</b>

The calculation of inventory write-down to net realisable value under the new methodology approved in 2015 resulted in the reversal of write-down allowance for inventories.

Movement on inventory write-down allowance account in the first half of 2015 and in 2014 was as follows:

Company	At 30 June 2015	At 31 December 2014
<b>Inventory write-down at the beginning of the period</b>	<b>620</b>	<b>901</b>
Increase in inventory write-down	-	20
Write-off/(reversal) of inventory write-down	( 608)	( 301)
<b>Inventory write-down at the end of the period</b>	<b>12</b>	<b>620</b>

## 9 Trade and other receivables

Company	At 30 June 2015	At 31 December 2014
Trade receivables	50 665	59 846
Trade and other receivables from related parties (Note 18)	34 628	2 979
Current portion of mortgage loans	80	76
Other amounts receivable	665	2 026
Less: impairment allowance for doubtful receivables	( 9 909)	( 8 717)
<b>Total</b>	<b>76 129</b>	<b>56 210</b>

Movements on the Company's impairment allowance account for trade and other receivables in the first half of 2015 and in 2014 were as follows:

Company	
<b>Balance at 1 January 2014</b>	<b>11 479</b>
Impairment charge for the half-year	951
Write-offs	(262)
<b>Balance at 30 June 2014</b>	<b>12 168</b>
Impairment charge (reversal) for the half-year	( 2 617)
Write-offs	( 834)
<b>Balance at 1 January 2015</b>	<b>8 717</b>
Impairment charge for the year	1 420
Write-offs	( 228)
<b>Balance at 30 June 2015</b>	<b>9 909</b>

## 10 Cash and cash equivalents, and term deposits

### Cash and cash equivalents

Company	At 30 June 2015	At 31 December 2014
Cash at bank	15 134	4 109
	<b>15 134</b>	<b>4 109</b>

Cash and cash equivalents include the following for the purpose of the cash flow statement:

Company	At 30 June 2015	At 31 December 2014
Cash and cash equivalents	15 134	4 109
Bank overdraft (Note 15)	( 18 437)	( 12 810)
<b>Total</b>	<b>( 3 303)</b>	<b>( 8 701)</b>

## 11 Authorised share capital

As at 31 December 2014, the Company's authorised share capital comprised 603 944 593 ordinary registered shares with par value of LTL 1 each. All the shares are fully paid. According to the Law on the Amendment of Articles 2, 40 and 78 of Law No VIII-1835 on Companies and the Law on Redenomination to the Euro of the Capital and of the Nominal Value of Securities of Public Limited Liability Companies and Private Limited Liability Companies that came into force, on 1 January 2015 the nominal value of the Company's shares was converted to the euro and the value of the ordinary registered share is equal to EUR 0,29. The EUR 229 thousand change in the amount of the authorised share capital resulting from the rounding of the nominal value of the share in the euro to the nearest cent was recognised as the Company's finance costs.

## 12 Dividends

The ordinary general meeting of shareholders of LESTO AB was held on 27 April 2015 where it was decided to approve the profit appropriation for 2014 and to allocate EUR 0,02 per share in dividends.

## 13 Trade and other payables

Company	At 30 June 2015	At 31 December 2014
Trade payables	21 689	37 034
Trade payable to subsidiaries (Note 18)	-	5 970
Trade payables to related parties (Note 18)	40 156	35 176
<b>Total trade payables</b>	<b>61 845</b>	<b>78 180</b>
Taxes (other than income tax)	1 133	214
Employment-related liabilities	1 735	949
Other current liabilities	2 532	2 467
Total other amounts payable	5 400	3 630
<b>Trade and other payables</b>	<b>67 245</b>	<b>81 810</b>

## 14 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as Board that makes strategic decisions.

According to the management, the Company has a single operating segment, i.e. supply and distribution of electric power. The Company have a single geographical segment – Republic of Lithuania. The chief operating decision-maker monitors the results with reference to the financial reports that have been prepared using the same accounting policies as those used for the preparation of the financial statements in accordance with IFRS, i.e. information on profit or loss, including the reported amounts of income and expenses, assets and liabilities.

## 15 Borrowings

Company	At 30 June 2015	At 31 December 2014
<b>Non-current borrowings</b>		
Borrowings from banks	148 557	99 855
<b>Current borrowings</b>		
Bank <i>overdraft</i> (Note 10)	18 437	12 810
Borrowings from banks	52 123	109 413
	70 560	122 223
<b>Total borrowings</b>	<b>219 117</b>	<b>222 078</b>

As at 31 December 2014, the Company was not in compliance with one of the financial covenants stipulated in a long-term loan agreement; therefore, the loan balance of EUR 6 316 thousand was reclassified in full to current borrowings. As at 30 June 2014, all financial covenants related to this loan were met, however the Company plans to repay this loan until 31 December 2015, therefore, the loan was not reclassified to non-current borrowings.

All borrowings of the Company bear variable interest rate with repricing period up to 6 months. No assets are provided as collateral for borrowings.

Non-current borrowings by maturity:

Company	At 30 June 2014	At 31 December 2014
Between 1 and 2 years	64 444	54 279
Between 2 and 5 years	84 113	45 576
<b>Total</b>	<b>148 557</b>	<b>99 855</b>

### Liquidity risk

The Company's policy is to maintain sufficient cash and cash equivalents or have available funding through adequate amounts of committed credit facilities to meet its commitments at a given date in accordance with its strategic plans. The Company's current liquidity (total current assets / total amounts payable within one year and current liabilities) and quick ratios ((total current assets – inventories) / total amounts payable within one year and current liabilities) as at 30 June 2015 were 0,61 and 0,61, respectively (31 December 2014: 0,30 and 0,29, respectively). In order to minimise balances of cash in bank accounts, the Company is using credit lines. As at 30 June 2015, the Company's unwithdrawn balance of the overdraft amounted to EUR 10 525 thousand and the unwithdrawn portion of the long-term credit amounted to EUR 55 500 thousand as at 30 June 2015. As at 30 June 2015, the Company's current liabilities exceeded its current assets by EUR 60 465 thousand (31 December 2014: EUR 160 178 thousand).

## 16 Revenue

Company	At 30 June 2015	At 30 June 2014
Electricity sales and distribution	282 212	314 657
Income from connection of new customers	7 531	7 536
Gain on disposal of subsidiary	822	-
Other income	2 067	2 028
<b>Total</b>	<b>292 632</b>	<b>324 221</b>

## 17 Investments

The Company's investments in subsidiaries during the periods ended 30 June 2015 and 31 December 2014 were as follows:

Company	At 30 June 2015	At 31 December 2014
Elektros Tinklo Paslaugos UAB	-	6 873
NT Valdos, UAB	-	52 109
<b>Carrying amount at the end of the period</b>	<b>-</b>	<b>58 982</b>

On 31 March 2015, the Company sold to Lietuvos Energija, UAB 18 904 252 (eighteen million, nine hundred and four thousand, two hundred and fifty-two) shares of Elektros Tinklo Paslaugos UAB for the amount of EUR 7 695 thousand. The EUR 822 thousand gain from the share sale transaction was accounted for under the line item 'Revenue' in the statement of comprehensive income.

On 27 April 2015, the Company sold to Lietuvos Energija, UAB 2 954,081 (two million, nine hundred fifty four thousand and eight-one) shares of NT Valdos, UAB. The basic sale price of these shares is equal to EUR 41 176 thousand and the basic sale price premium amounts to EUR 11 120 thousand. The EUR 898 thousand loss on the share sale transaction was accounted for under the line item 'Other expenses' in the Company's statement of comprehensive income. The result comprised gain of EUR 188 thousand from the disposal of shares and expenses of EUR 1 086 thousand related to the adjustment of the fair value of the sale price premium. The share sale agreement stipulates that the sale price premium will be paid to the Company by 31 March 2019, if in 2018 NT Valdos, UAB meets financial covenants set forth in the agreement.

After the completion of these transactions the Company had no subsidiaries as at 30 June 2015.

Movements on the Company's investments in subsidiaries account during the periods ended 30 June 2015 and 31 December 2014 are summarised below:

Company	1H 2015	1H 2014
<b>Carrying amount as at 1 January</b>	58 982	58 982
Disposal of subsidiaries	( 58 982)	-
<b>Carrying amount at the end of the period</b>	<b>-</b>	<b>58 982</b>

On 31 March 2014, the Company and Lietuvos Energija, UAB signed the agreement on sale-purchase of shares, based on which the Company's proprietary shares in associate Duomenų Logistikos Centras UAB (representing 24,94% of its share capital) were sold to Lietuvos Energija, UAB for the amount of EUR 5 526 402.

On 21 July 2014, the Company together with Lietuvos Energija, UAB, Lietuvos Energijos Gamyba AB, LITGAS UAB and Technologijų ir Inovacijų Centras UAB signed the memorandum of incorporation of Verslo Aptarnavimo Centras UAB to be engaged primarily in the provision of public procurement organisation and execution, accounting and personnel administration services to the shareholders. The concentration of the service functions within one company was implemented by attracting specialists of all these fields from the companies of Lietuvos Energija, UAB group to the team of Verslo Aptarnavimo Centras UAB. As at 31 December 2014, the Company's ownership interest in Verslo Aptarnavimo Centras UAB was 15%.

The shareholders of Verslo Aptarnavimo Centras UAB who hold 5 (five) or more percent of shares may each nominate 1 (one) candidate to the Company's board, and all shareholders who hold less than 5 (five) percent of shares may all collectively nominate 1 (one) candidate. During the voting, each member has one vote. When the number of affirmative votes is equal to the number of negative votes, the casting vote is that of the chairman of the board. Since the Company has significant power in governance of the company when the decisions are made, Verslo Aptarnavimo Centras UAB is treated as an associate.

On 10 July 2014, the authorised share capital of Technologijų ir Inovacijų Centras UAB was increased from EUR 2 ,896 to EUR 5 792 400. On increase of share capital of Technologijų ir Inovacijų Centras UAB, LESTO AB made a cash contribution for 4 442 222 newly issued ordinary registered shares. As a result, the Company's ownership interest in Technologijų ir Inovacijų Centras UAB increased from 20% to 22,22%. On 19 December 2014, the authorised share capital of Technologijų ir Inovacijų Centras UAB was increased up to EUR 6 429 716 by issuing additional 2 200 525 ordinary registered shares. As a result of increase in authorised share capital of Technologijų ir Inovacijų Centras UAB, the Company's ownership interest in Technologijų ir Inovacijų Centras UAB decreased from 22,22% to 20,02%.

Movements on the Company's investments in associates account during the periods ended 30 June 2015 and 31 December 2014 are summarised below:



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Company	1H 2015	1H 2014
<b>Carrying amount at 1 January</b>	<b>1 374</b>	<b>5 527</b>
Acquisition of associates	-	1 373
Disposal of associates	-	( 5 526)
Gain/(loss) on investments in associates	-	-
<b>Carrying amount at the end of the period</b>	<b>1 374</b>	<b>1 374</b>

## 18 Related-party transactions

The Company's related parties in 2015 and 2014 were as follows:

- Lietuvos Energija, UAB (the main shareholder of the Company) and its subsidiaries and associates;
- Subsidiaries of the Company;
- Associates of the Company;
- Management of the Company including companies in which they hold executive positions or companies which are controlled by them or over which a significant influence is exercised;
- All companies which are owned by the state or over which the state exercises a significant influence (transactions with these companies are disclosed when they are material).

### Purchase and sale of goods and services:

The Company's transactions with related parties between January and June of 2015 and the balances arising on these transactions as at 30 June 2015 are presented below:

Related parties	Payables and accrued expenses	Receivables and unbilled revenue	Purchases	Sales
Subsidiaries	-	-	5 665	244
Associates	1 067	-	4 603	-
Companies of Lietuvos Energija, UAB group	16 756	46 800	64 713	59 268
Companies of Litgrid AB group	22 333	10 092	78 626	2 782
<b>Total</b>	<b>40 156</b>	<b>56 892</b>	<b>153 607</b>	<b>62 294</b>

In 2015, amounts receivable from companies of Lietuvos Energija, UAB group increased due to the amount due from Lietuvos Energija, UAB for the acquired shares of Elektros Tinklo Paslaugos UAB and NT Valdos, UAB (Note 17). The non-current portion of amounts receivable equals EUR 22 264 thousand (Note 7) and the current portion equals EUR 24 428 thousand.

Until 31 March 2015, transactions with Elektros Tinklo Paslaugos UAB were reported under the line item 'the Company's subsidiaries' and from 1 April 2015 they are reported under the line item 'Companies of Lietuvos Energija, UAB group'. Until 30 April 2015, transactions with NTV were reported under the line item 'the Company's subsidiaries' and from 1 May 2015 they are reported under the line item 'Companies of Lietuvos Energija, UAB group'.

The Company's transactions with related parties between January and June of 2014 and the balances arising on these transactions as at 31 December 2014 are presented below:

Related parties	Payables and accrued expenses	Receivables and unbilled revenue	Purchases	Sales
Subsidiaries	5 970	97	9 337	433
Associates	1 534	-	3 301	45
Companies of Lietuvos Energija, UAB group	3 401	62	67 339	220
Companies of Litgrid AB group	30 241	2 820	123 734	22 621
<b>Total</b>	<b>41 146</b>	<b>2 979</b>	<b>203 711</b>	<b>23 319</b>

### Compensation to key management personnel

Company	1H 2015	1H 2014
Wages and salaries and other short-term benefits to management personnel	203	180
Termination benefits	-	-

Management consists of heads of administration and their deputies, and the chief financier. The chief financier has been included in key management personnel since 30 November 2014. With effect from 1 December 2014, accounting services are provided by Verslo Aptarnavimo Centras UAB.

## 19 Fair value measurement

There were no significant changes in the business and economic environment in the first half of 2015 that could affect the fair value of the Company's financial assets and financial liabilities.

## 20 Commitments and contingencies

### Buyout of electricity equipment

In 2015, the Company executed simplified procedure of buyout of electricity objects (electricity networks) installed for common use using the funds of homestead owners in line with the deadlines stipulated in Resolution No. 1257 of 31 August 2010 of the Lithuanian Government. On the establishment of deadlines for the buyout from cooperatives the electricity transmission and distribution lines, transformer substations, electric facilities and other equipment designated for the transmission and distribution of electricity and installed in the territory of homestead owners using the funds of such homestead owners, i.e. by 1 July 2011.

During the first half of 2015, 1 electricity networks of common use for the value of EUR 2 (2014: 6 electricity networks for the value of EUR 67 thousand) were bought out. During the period from the start date of the buyout procedure until 30 June 2015, 941 electricity networks of common use of homestead cooperatives for the value of EUR 11 852 thousand were bought out. As at 30 June 2015, 13 applications with requests to buyout equipment on concessionary terms remained unsettled with the value of EUR 189 thousand.

### Capital expenditure commitments

As at 30 June 2015, the Company's capital expenditure commitments assumed under the contracts as at the date of the financial statements but not accounted for in the financial statements amounted to EUR 21 586 thousand (31 December 2014: EUR 8 179 thousand).

### Litigations

#### Dispute with Vilniaus Energija

Vilniaus Energija UAB (the claimant) filed a claim to Vilnius Regional Administrative Court, whereby it requested to award damages of EUR 9,284 million from LESTO AB.

The claimant insisted that it incurred losses of EUR 9,284 million because for the purpose of ensuring compliance with the Lithuanian Government Resolution No 1051 of 20 November 2013 and the provisions of agreement on purchase/sale of electricity signed with the claimant, in 2014 LESTO AB purchased only that volume of supported electricity, which was produced under the technical minimum mode at the thermal power plants owned by the claimant. The claimant noted that the legal acts stipulated a requirement whereby LESTO AB was obliged to purchase maximum volume, and LESTO AB failed to comply with such requirement.

In its claim, the claimant requested as follows: to recognise the provisions of agreement on purchase/sale of electricity (No 80000/232945/753, dated 30 December 2013) between the claimant and respondent as void ab initio; to oblige the respondent to purchase the maximum volume of supported electricity in 2014 from the claimant, which was established for the claimant's thermal power plants No 2 and No 3 by the Lithuanian Government Resolution No 1051 of 20 November 2013; and to award damages of EUR 9,284 million from the respondent, as well as 6% annual interest on the awarded amount of damages from the respondent, starting from the date of initiation of the case until full fulfilment of the court's ruling, plus litigation costs incurred.

The respondent does not agree with the claimant's position that the respondent should be obliged to purchase full volume of supported electricity produced at thermal power plants No 2 and No 3, because the description of PSO services and other effective legal acts do not stipulate that the respondent is obliged to purchase full volume of electricity produced at thermal power plants No 2 and No 3.

During the investigation of the case, on 18 July 2014 the claimant requested to apply to the Constitutional Court in order to investigate whether certain provisions of the above-mentioned Resolution are not in contravention of the Lithuanian Constitution; such request of the claimant was rejected by the court; On 30 April 2015, the claimant filed a repeat request for the suspension of the case and application to the Constitutional Court in order to investigate a probable non-compliance of regulatory legislation with the Lithuanian Constitution and the laws. On 16 June 2015, the court ruled on the suspension of this civil case until the investigation of the court's reference to the Constitutional Court of the Republic of Lithuania and the passing of its ruling.

Considering the fact that the Constitutional Court has not yet passed any ruling in this case (it is probable that the request of the court of the first instance might be returned, etc.) and that in the Company's opinion, the claimant's claim has no grounds and should not be satisfied, this claim was not accounted for in the financial statements.

#### Dispute with the National Control Commission for Prices and Energy

LESTO AB filed a complaint to Vilnius Regional Administrative Court with request to annul the related Resolutions of the National Control Commission for Prices and Energy (the Commission), oblige the Commission to eliminate the violations, and include the following items in the level of revenue used for price cap calculation when determining the price caps for electricity distribution services provided by LESTO AB through medium and low voltage networks for the upcoming period:

- difference of EUR 7,777 million for 2015, which occurred as result of improper WACC amount applied by the Commission;

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- difference of EUR 4,638 million for 2015, which occurred as result of the Commission's improper application of requirements set forth in legal acts in respect of allowable return on investment for LESTO AB;
- amount of EUR 16,455 million, as a result of unsubstantiated costs identified by the Commission during the audit that have been treated by LESTO AB as attributable to regulated activity costs;
- amount of EUR 11,929 million, as a result of the Commission's improper application of the requirements set forth in legal acts in respect of allowable return on investment and required regulated activity costs for LESTO AB.

In addition, LESTO AB filed a complaint to Vilnius Regional Administrative Court with request to annul the Commission's Resolutions and oblige the Commission to eliminate the violations, which resulted in:

- lower revenue of LESTO AB from PSO services for 2015 by EUR 862,78 million;
- lower electricity acquisition costs of LESTO AB for 2015 by EUR 311,63 million.

LESTO AB filed an appeal against the Commission's Regulation before the court whereby the Commission approved the regulatory period of electricity distribution activity of LESTO AB from 2016 to 2020; established the unadjusted amount of the regulated asset base (RAB) of the distribution activity in the medium and low voltage networks calculated using the LRAIC accounting model for the last (target) year of the regulatory period, i.e. 2020; the amount of the cost of capital in the medium and low voltage networks; the amounts of depreciation expenses in the medium and low voltage networks; the rate of return on investments in the medium and low voltage networks that meets the prudence criterion; the amount of operating expenses (OPEX) in the medium and low voltage networks. In the Company's opinion, when the Commission adopted the relevant Resolution it violated procedures established by the legal acts aimed at ensuring the evaluation of objective circumstances and the reasonableness of the decision, improperly applied the effective laws, improperly applied rules for the estimation of the value of the regulated assets, applied the incorrect rate of return on investments (WACC) that does not meet the prudence criterion; improperly applied rules for the determination of operating costs, etc.

LESTO AB objects to the Commission's Resolution No O3-351 of 4 June 2015 *Regarding the violation of terms and conditions of the regulated activity of LESTO AB* and using its right to judicial protection filed a claim to Vilnius Regional Administrative Court under the procedure established by the Law on Administrative Proceedings for the unreasonableness, unlawfulness and annulment of the Resolution on the application of sanctions, which is based on the following arguments: the sanction to LESTO AB was applied with reference to the results of the performed inspection, yet the inspection was performed by failing to comply with the requirements set forth in Article 364 (1) and (14) of the Law on Public Administration; in the inspection report the inspection commission delegated by the Commission presented a subjective evaluation of accounting data of LESTO; the inspection report does not meet the applicable criteria of necessity and legitimacy established in paragraph 52 of the Supervision Procedure and is not supported by arguments; when performing the inspection and following the provisions of the costs requirements, the Commission violated one of the fundamental principles of law *lex retro non agit*, therefore, illegitimately and wrongly applied sanctions to LESTO AB on the basis of the inspection report; the Resolution of the application of the sanction does not comply with the requirements stipulated in legal acts regulating the application of sanctions and also violates the terms for the application of disciplinary measures to entities established in Article 368 of the Law on Public Administration; no explanations or supporting arguments were given as to the amount of a monetary fine applied to LESTO AB, which is indicated in the Resolution on the application of sanctions and this is a violation of the terms and conditions for the application of disciplinary measures to entities established in Article 368 of the Law on Public Administration, etc.

In the Company's opinion, when the Commission adopted the relevant Resolutions it improperly interpreted and applied effective laws and other legal acts, exceeded its competence and violated the principles of public administration, failed to comply with the principles of supervision of activities of entities, improperly estimated costs required for LESTO AB to carry on its regulated activities and costs attributable to regulated activities. Accordingly, the Resolutions, in respect of which a complaint was filed, should be treated as unsubstantiated and unlawful. The disputed amounts were not accounted for in the financial statements.

## 21 Events after the reporting period

There were no significant events after 30 June 2015 and until the date of approval of the condensed interim financial information.

\*\*\*\*\*

2015

AB LESTO  
CONSOLIDATED AND COMPANY'S  
FINANCIAL STATEMENTS

CONSOLIDATED AND COMPANY'S CONDENSED INTERIM FINANCIAL  
INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2015  
(unaudited)

Lesto



Group of energetic  
companies

[www.le.lt](http://www.le.lt)

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**AB LESTO, company code 302577612 Agonų str. 26, Vilnius, Lietuva**  
**CONSOLIDATED AND COMPANY'S CONDENSED INTERIM FINANCIAL INFORMATION**  
**For the six-month period ended 30 June 2015**

All amounts are in EUR thousands unless otherwise stated

**CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION**

	Notes	Group		Company	
		30-06-2015	31-12-2014	30-06-2015	31-12-2014
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant, and equipment	5	706 329	722 038	706 329	682 634
Intangible assets	6	2 363	2 578	2 363	2 553
Investments in subsidiaries	17	-	-	-	58 982
Investments in associates	17	1 453	1 446	1 374	1 374
Investment property		-	44 791	-	-
Deferred income tax assets		-	2 041	-	2 041
Non-current amounts receivable	7	22 709	1 463	22 709	480
		<b>732 854</b>	<b>774 357</b>	<b>732 775</b>	<b>748 064</b>
<b>Current assets</b>					
Inventories	8	2 177	2 316	2 177	1 604
Trade and other receivables	9	76 129	58 731	76 129	56 210
Prepayments, deferred charges and accrued income		6 591	6 530	6 591	6 264
Cash and cash equivalents	10	15 134	10 401	15 134	4 109
		100 031	77 978	100 031	68 187
Non-current assets classified as held for sale		-	42	-	-
		<b>100 031</b>	<b>78 020</b>	<b>100 031</b>	<b>68 187</b>
<b>Total current assets</b>		<b>832 885</b>	<b>852 377</b>	<b>832 806</b>	<b>816 251</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Total equity attributable to owners of the Company</b>					
Share capital		175 144	174 915	175 144	174 915
Revaluation reserve		58 018	69 997	58 018	61 324
Legal reserve		17 491	17 493	17 491	17 491
Retained earnings		174 735	129 329	174 656	140 390
		<b>425 388</b>	<b>391 734</b>	<b>425 309</b>	<b>394 120</b>
<b>Non-controlling interest</b>			<b>37 556</b>	-	-
<b>Total equity</b>		<b>425 388</b>	<b>429 290</b>	<b>425 309</b>	<b>394 120</b>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Borrowings	15	148 557	99 855	148 557	99 855
Deferred income		297	1 160	297	-
Deferred income tax liability		81 480	83 663	81 480	83 663
Grants and subsidies		15 382	8 983	15 382	8 983
Non-current employee benefits		1 133	1 261	1 133	1 158
Other non-current liabilities		152	107	152	107
		<b>247 001</b>	<b>195 029</b>	<b>247 001</b>	<b>193 766</b>
<b>Current liabilities</b>					
Borrowings	15	70 560	122 223	70 560	122 223
Trade and other payables	13	67 245	80 030	67 245	81 810
Advance amounts received, accrued charges and deferred income		19 827	22 930	19 827	21 543
Income tax payable		2 864	2 875	2 864	2 789
		<b>160 496</b>	<b>228 058</b>	<b>160 496</b>	<b>228 365</b>
<b>Total liabilities</b>		<b>407 497</b>	<b>423 087</b>	<b>407 497</b>	<b>422 131</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>832 885</b>	<b>852 377</b>	<b>832 806</b>	<b>816 251</b>

The accompanying notes form an integral part of this condensed interim financial information.

31 August 2015

**Aidas Ignatavičius**  
Chief Executive Officer

31 August 2015

**Andrius Bendikas**  
Director of Finance and  
Administration division

31 August 2015

**Giedruolė Guobienė**  
Verslo aptarnavimo centras UAB,  
Head of Reporting, Tax Accounting  
and Control Division acting under  
Order No V-020 of 27 April 2015

## CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE INCOME

Group	Notes	1H 2015	2Q 2015	1H 2014	2Q 2014
Revenue	16	301 048	141 805	331 062	153 980
Purchase of electricity and other related services		( 180 344)	( 85 113)	( 214 335)	( 99 626)
Depreciation and amortisation		( 18 834)	( 8 810)	( 50 553)	( 25 521)
Employee benefits and related social security contributions		( 20 400)	( 9 036)	( 22 705)	( 10 997)
Repair and maintenance expenses		( 11 666)	( 7 083)	( 11 067)	( 6 312)
Transportation expenses		( 1 003)	( 965)	( 1 769)	( 918)
Telecommunications and IT services		( 3 443)	( 1 691)	( 3 374)	( 1 751)
Rent and utility services		( 1 348)	( 561)	( 1 654)	( 634)
Result of valuation of other assets		-	-	( 156)	-
Other expenses		( 7 870)	( 4 059)	( 6 246)	( 3 215)
<b>Operating profit (loss)</b>		<b>56 140</b>	<b>24 487</b>	<b>19 203</b>	<b>5 006</b>
Finance income		365	226	130	63
Finance costs		( 1 318)	( 520)	( 1 134)	( 619)
<b>Finance costs – net</b>		<b>( 953)</b>	<b>( 294)</b>	<b>( 1 004)</b>	<b>( 556)</b>
Gain (loss) on investments in associates		7	28	38	-
<b>Profit (loss) before tax</b>		<b>55 194</b>	<b>24 221</b>	<b>18 237</b>	<b>4 450</b>
Income tax		( 7 463)		( 2 781)	( 633)
<b>Net profit (loss) for the year</b>		<b>47 731</b>	<b>24 221</b>	<b>15 456</b>	<b>3 817</b>
<b>Other comprehensive income (expenses):</b>					
Gain (loss) on revaluation of property, plant and equipment		( 65)	-	-	-
Effects of deferred income tax		10	-	-	-
<b>Other comprehensive income (expenses)</b>		<b>( 55)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income (expenses) for the year</b>		<b>47 676</b>	<b>24 221</b>	<b>15 456</b>	<b>3 817</b>
<b>Net profit (loss) for the year attributable to:</b>					
Owners of the Company		47 425	19 651	14 985	3 488
Non-controlling interest		305	146	471	329
		<b>47 730</b>	<b>19 797</b>	<b>15 456</b>	<b>3 817</b>
<b>Total comprehensive income (expenses) for the year attributable to:</b>					
Owners of the Company		47 394	19 651	14 985	3 488
Non-controlling interest		281	146	471	329
		<b>47 675</b>	<b>19 797</b>	<b>15 456</b>	<b>3 817</b>
Basic and diluted earnings per share (in EUR)		0,078	0,033	0,025	0,006

Continued on next page

The accompanying notes form an integral part of this condensed interim financial information.

31 August 2015

**Aidas Ignatavičius**  
 Chief Executive Officer

31 August 2015

**Andrius Bendikas**  
 Director of Finance and  
 Administration division

31 August 2015

**Giedruolė Guobienė**  
 Verslo aptarnavimo centras UAB,  
 Head of Reporting, Tax Accounting  
 and Control Division acting under  
 Order No V-020 of 27 April 2015

**AB LESTO, company code 302577612** Aguonų str. 26, Vilnius, Lietuva  
**CONSOLIDATED AND COMPANY'S CONDENSED INTERIM FINANCIAL INFORMATION**  
**For the six-month period ended 30 June 2015**

All amounts are in EUR thousands unless otherwise stated

**CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE INCOME (CONTINUATION)**

Company	Notes	1H 2015	2Q 2015	1H 2014	2Q 2014
Revenue	16	292 632	136 827	324 221	150 489
Purchase of electricity and other related services		( 180 344)	( 85 113)	( 214 335)	( 99 626)
Depreciation and amortisation		( 17 532)	( 8 719)	( 49 028)	( 24 763)
Employee benefits and related social security contributions		( 17 842)	( 8 745)	( 18 620)	( 9 145)
Repair and maintenance expenses		( 12 086)	( 6 851)	( 11 885)	( 6 882)
Transportation expenses		( 2 052)	( 1 036)	( 2 193)	( 1 083)
Telecommunications and IT services		( 3 352)	( 1 667)	( 3 152)	( 1 644)
Rent and utility services		( 1 308)	( 623)	( 1 382)	( 651)
Other expenses		( 6 474)	( 3 941)	( 5 404)	( 2 784)
<b>Operating profit (loss)</b>		<b>51 642</b>	<b>20 132</b>	<b>18 222</b>	<b>3 911</b>
Finance income		372	225	206	118
Finance costs		( 1 302)	( 520)	( 1 127)	( 615)
<b>Finance costs – net</b>		<b>( 930)</b>	<b>( 295)</b>	<b>( 921)</b>	<b>( 497)</b>
<b>Profit (loss) before tax</b>		<b>50 712</b>	<b>19 837</b>	<b>17 301</b>	<b>3 414</b>
Income tax		( 7 673)	( 4 417)	( 2 608)	( 503)
<b>Net profit (loss) for the year</b>		<b>43 039</b>	<b>15 420</b>	<b>14 693</b>	<b>2 911</b>
<b>Other comprehensive income</b>					
<b>Total comprehensive income (loss) for the year</b>		<b>43 039</b>	<b>15 420</b>	<b>14 693</b>	<b>2 911</b>
Basic and deluted earnings per share (in EUR)		0,071	0,026	0,024	0,005

The accompanying notes form an integral part of this condensed interim financial information.

31 August 2015

**Aidas Ignatavičius**  
 Chief Executive Officer

31 August 2015

**Andrius Bendikas**  
 Director of Finance and  
 Administration division

31 August 2015

**Giedruolė Guobienė**  
 UAB „Verslo aptarnavimo centras“  
 Ataskaitų rengimo, mokesčių  
 apskaitos ir kontrolės skyriaus  
 vadovė, veikianti pagal 20150427  
 įsakymą Nr. V-020



AB LESTO, company code 302577612 Aguonų str. 26, Vilnius, Lietuva  
**CONSOLIDATED AND COMPANY'S CONDENSED INTERIM FINANCIAL INFORMATION**  
**For the six-month period ended 30 June 2015**

All amounts are in EUR thousands unless otherwise stated

**CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY**

Group	Equity attributable to owners of the Company						Total equity	
	Notes	Share capital	Revaluation reserve	Legal reserve	Retained earnings	Total		Non-controlling interest
<b>Balance at 1 January 2014</b>		174 915	424 745	17 491	321 833	938 984	36 776	975 760
Comprehensive income		-	-	-	14 985	14 985	471	15 456
Net profit (loss) for the period		-	-	-	14 985	14 985	471	15 456
<b>Total comprehensive income for the period</b>								
Transfers to retained earnings (transfer of depreciation, net of deferred income tax)		-	(22 305)	-	22 305	-	-	-
Transfers to reserves		-	-	2	(2)	-	-	-
Dividends relating to 2013		-	-	-	(33 234)	(33 234)	-	(33 234)
Loss on the increase of controlling part		-	-	-	-	-	-	-
<b>Balance at 30 June 2014</b>		174 915	402 440	17 493	325 887	920 735	37 247	957 982
<b>Balance at 1 January 2015</b>		174 915	69 997	17 493	129 329	391 734	37 556	429 290
Comprehensive income		-	-	-	47 425	47 425	305	47 730
Net profit (loss) for the period		-	(31)	-	-	(31)	(24)	(55)
Other comprehensive income (expenses)		-	(31)	-	47 425	47 394	281	47 675
<b>Total comprehensive income for the period</b>								
Transfers to retained earnings (transfer of depreciation, net of deferred income tax)		-	(3 464)	-	3 464	-	-	-
Disposal of subsidiaries		-	(8 484)	(32)	6 626	(1 890)	(37 837)	(39 727)
Result of share capital conversion	11	229	-	-	-	229	-	229
Transfers to reserves		-	-	30	(30)	-	-	-
Dividends relating to 2014	12	-	-	-	(12 079)	(12 079)	-	(12 079)
<b>Balance at 30 June 2015</b>		175 144	58 018	17 491	174 735	425 388	-	425 388

The accompanying notes form an integral part of this condensed interim financial information.

Continued on next page

## CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY (CONTINUATION)

Company	Notes	Share capital	Revaluation reserve	Legal reserve	Retained earnings	Total equity
<b>Balance at 1 January 2014</b>		<b>174 915</b>	<b>416 406</b>	<b>17 491</b>	<b>333 864</b>	<b>942 676</b>
<b>Comprehensive income</b>						
Net profit (loss) for the period		-	-	-	14 693	14 693
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>14 693</b>	<b>14 693</b>
Transfers to retained earnings (transfer of depreciation, net of deferred income tax)		-	( 22 281)	-	22 281	-
Dividends relating to 2013		-	-	-	( 33 234)	( 33 234)
<b>Balance at 30 June 2014</b>		<b>174 915</b>	<b>394 125</b>	<b>17 491</b>	<b>337 604</b>	<b>924 135</b>
<b>Balance at 1 January 2015</b>		<b>174 915</b>	<b>61 324</b>	<b>17 491</b>	<b>140 390</b>	<b>394 120</b>
<b>Comprehensive income</b>						
Net profit (loss) for the period		-	-	-	43 039	43 039
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>43 039</b>	<b>43 039</b>
Transfers to retained earnings (transfer of depreciation, net of deferred income tax)		-	( 3 306)	-	3 306	-
Result of share capital conversion	11	229	-	-	-	229
Dividends relating to 2014	12	-	-	-	( 12 079)	( 12 079)
<b>Balance at 30 June 2015</b>		<b>175 144</b>	<b>58 018</b>	<b>17 491</b>	<b>174 656</b>	<b>425 309</b>

The accompanying notes form an integral part of this condensed interim financial information.

31 August 2015

**Aidas Ignatavičius**  
 Chief Executive Officer

31 August 2015

**Andrius Bendikas**  
 Director of Finance and  
 Administration division

31 August 2015

**Giedruolė Guobienė**  
 Verslo aptarnavimo centras UAB,  
 Head of Reporting, Tax Accounting  
 and Control Division acting under  
 Order No V-020 of 27 April 2015

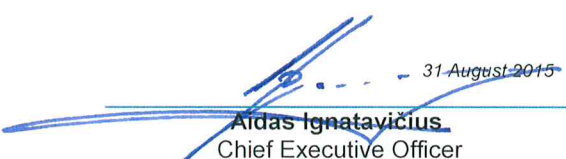
**AB LESTO, company code 302577612 Aaguonų str. 26, Vilnius, Lietuva**  
**CONSOLIDATED AND COMPANY'S CONDENSED INTERIM FINANCIAL INFORMATION**  
**For the six-month period ended 30 June 2015**

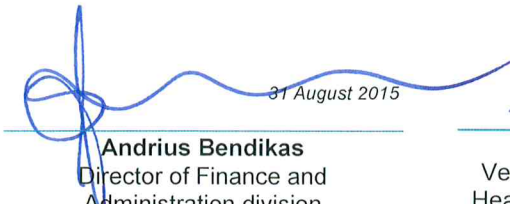
All amounts are in EUR thousands unless otherwise stated

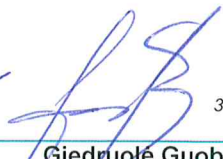
**CONDENSED INTERIM STATEMENTS OF CASH FLOWS**

	Notes	Group		Company	
		2015 1H	2014 1H	2015 1H	2014 1H
<b>Cash flows from operating activities</b>					
Net profit (loss) for the year		47 731	15 456	43 039	14 693
<b>Adjustments for:</b>					
Income tax expense (income)		7 463	2 781	7 673	2 608
Depreciation and amortisation expenses		19 052	50 989	17 750	49 464
Result of valuation of assets		-	156	-	-
Amortisation of grants		( 218)	( 436)	( 218)	( 436)
Gain/(loss) on disposal and write-off of property, plant and equipment		1 047	1 359	1 040	1 641
(Gain)/loss on disposal of investments on subsidiaries		( 4 598)	-	76	-
(Gain)/loss on investments in associates		( 7)	( 38)	-	-
Dividend income		-	-	-	( 49)
Finance (income)		( 365)	( 130)	( 372)	( 157)
Finance costs		1 318	1 134	1 302	1 127
<b>Changes in working capital:</b>					
Trade and other receivables		3 702	8 922	7 800	6 733
inventories, prepayments, deferred charges and accrued income		( 1 495)	( 461)	( 899)	79
Trade and other payables, advance amounts received, accrued charges and deferred income		( 725)	( 18 238)	( 7 152)	( 18 318)
<b>Cash generated from operating activities</b>		<b>72 905</b>	<b>61 494</b>	<b>70 039</b>	<b>57 385</b>
Income tax paid		( 5 260)	( 5 388)	( 5 260)	( 5 353)
<b>Net cash generated from operating activities</b>		<b>67 645</b>	<b>56 106</b>	<b>64 779</b>	<b>52 032</b>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment and intangible assets		( 55 210)	( 44 203)	( 53 666)	( 42 443)
Acquisition of subsidiary and associate		-	( 1 287)	-	( 1 287)
Disposal of subsidiary and associate		12 214	-	12 214	-
Net cash flows from disposal of subsidiary		( 7 721)	-	-	-
Proceeds from sale of property, plant and equipment and investment property		133	434	25	43
Grants received		3 618	2 011	3 618	2 011
Loan repayments received		33	57	33	57
Loans (granted)		-	( 1 419)	-	-
Dividends received		-	-	-	49
Interest received		82	27	79	53
<b>Net cash used in investing activities</b>		<b>( 46 851)</b>	<b>( 44 380)</b>	<b>( 37 697)</b>	<b>( 41 517)</b>
<b>Cash flows from financing activities</b>					
Proceeds from borrowings		79 500	42 652	79 500	42 652
Repayments of borrowings		( 88 087)	( 8 088)	( 88 087)	( 8 088)
Dividends paid to the Company's shareholders		( 12 013)	( 33 141)	( 12 014)	( 33 141)
Interest paid		( 1 088)	( 1 134)	( 1 083)	( 1 126)
<b>Net cash used in financing activities</b>		<b>( 21 688)</b>	<b>289</b>	<b>( 21 684)</b>	<b>297</b>
<b>Increase (decrease) in cash and cash equivalents</b>		<b>( 894)</b>	<b>12 015</b>	<b>5 398</b>	<b>10 812</b>
Cash and cash equivalents at the beginning of the year	10	( 2 409)	( 12 777)	( 8 701)	( 17 945)
<b>Cash and cash equivalents at the end of the period</b>	<b>10</b>	<b>( 3 303)</b>	<b>( 762)</b>	<b>( 3 303)</b>	<b>( 7 133)</b>

The accompanying notes form an integral part of this condensed interim financial information.

  
 31 August 2015  
**Aidas Ignatavičius**  
 Chief Executive Officer

  
 31 August 2015  
**Andrius Bendikas**  
 Director of Finance and  
 Administration division

  
 31 August 2015  
**Giedruolė Guobienė**  
 Verslo aptarnavimo centras UAB,  
 Head of Reporting, Tax Accounting  
 and Control Division acting under  
 Order No V-020 of 27 April 2015

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

### 1 General information

#### Information about the Company

LESTO AB (hereinafter "the Company") is a public limited liability company registered in the Republic of Lithuania. The Company was registered with the Register of Legal Entities on 27 December 2010. The Company started its activities with effect from 1 January 2011. The shares of the Company have been listed on the main list of NASDAQ OMX Vilnius Stock Exchange since 17 January 2011. The address of its registered office is as follows:

Aguonų str. 26,  
 LT-03212 Vilnius,  
 Lithuania.

The Company was established following the reorganisation of Rytų Skirstomieji Tinklai AB (RST) and VST AB (VST) by way of merger. Under the terms and conditions of the reorganisation approved by the decisions of the extraordinary general meetings of shareholders of RST and VST on 13 December 2010, a transfer-acceptance statement was signed on 31 December 2010, on the basis of which the Company took over all the assets, rights and obligations of RST and VST. The moment of the take-over of assets, rights and obligations by the Company was 1 January 2011, 00:00 am.

The Company's core lines of business include electricity supply and distribution. The Company operates a medium and low voltage electricity distribution network and it is a sole provider of electricity distribution services to consumers across the entire territory of Lithuania.

On 19 December 2014, the National Control Commission for Prices and Energy established the price caps for electricity distribution services for the year 2015 as follows:

- electricity distribution services via medium voltage network – 4.068 ct/kWh or 1.178 euro ct/kWh (2014: 4.479 ct/kWh or 1.297 euro ct/kWh);
- electricity distribution services via low voltage network – 5.351 ct/kWh or 1.550 euro ct/kWh (2014: 6.162 ct/kWh or 1.785 euro ct/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 ct/kWh for public electricity supply services for the year 2015 (2014: 0.52 ct/kWh or 0.151 euro ct/kWh).

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 ct/kWh (excl. VAT) to private consumers who receive electricity via medium voltage network for 2015 (2014: 31.616 ct/kWh or 9.157 euro ct/kWh (excl. VAT), and the price cap of 3.099 ct/kWh or 10.165 euro ct/kWh (excl. VAT) to private consumers who receive electricity via low voltage network for 2015 (2014: 37.778 ct/kWh or 10.941 euro ct/kWh (excl. VAT)).

The Company's activities are regulated by the Lithuanian Law on Energy, Lithuanian Law on Electricity and other regulatory legislation.

The shareholders' structure of the Company was as follows:

	30-06-2015		31-12-2014	
	Number of shares held	Ownership interest, %	Number of shares held	Ownership interest, %
Lietuvos energija UAB	570 066 682	94,39%	570 066 682	94,39%
Other shareholders	33 877 911	5,61%	33 877 911	5,61%
<b>Total</b>	<b>603 944 593</b>	<b>100%</b>	<b>603 944 593</b>	<b>100%</b>

As at 30 June 2015, Lietuvos Energija, UAB was the parent of the Company. Lietuvos Energija, UAB is wholly owned by the Lithuanian Government represented by the Lithuanian Ministry of Finance.

All shares of the Company with the nominal value of EUR 0,29 each are ordinary shares and they have been fully paid as at 30 June 2015 and 31 December 2014. The Company does not hold any shares other than those mentioned above, and its Articles of Association do not provide for any restrictions on shares or special control rights of shareholders. The Company has not acquired its own shares.

This condensed financial information includes the consolidated LESTO AB and its subsidiaries financial statements and the separate financial statements of the parent company LESTO AB.

#### The consolidated group

The consolidated group (hereinafter "the Group") consists of the Company, its subsidiaries and associates that are listed below:

**AB LESTO, company code 302577612 Aguonų str. 26, Vilnius, Lietuva**  
**CONSOLIDATED AND COMPANY'S CONDENSED INTERIM FINANCIAL INFORMATION**  
**For the six-month period ended 30 June 2015**

All amounts are in EUR thousands unless otherwise stated

Subsidiary or associate	Country	Year of acquisition	Company's ownership (%)		Profile of activities
			30-06-2015	31-12-2014	
ELEKTROS TINKLO PASLAUGOS UAB	Lithuania	2004	-	100%	Construction, reconstruction, repair and maintenance of electricity facilities
NT Valdos, UAB	Lithuania	2010	-	57.30%	Real estate management services
Technologijų ir inovacijų centras UAB	Lithuania	2013	20.02%	20.02%	Information technology, telecommunication and other services provided to shareholders
Verslo aptarnavimo centras UAB	Lithuania	2014	15.00%	15.00%	Organisation and execution of public procurement procedures, accounting and personnel administration services provided to the shareholders

On 31 March, 2015 the Company sold 18 904 252 (eighteen million nine hundred four thousand two hundred and fifty two) shares of Elektros tinklo paslaugos UAB to Lietuvos energija UAB for EUR 7 695 thousand.

On 27 April, 2015 the Company sold 2 954 081 (two million nine hundred fifty-four thousand and eighty-one) shares of NT valdos UAB to Lietuvos energija UAB for EUR 58 906 thousand.

As at 30 June 2015, the Group and the Company had 2 205 (31 December 2014: 3 004 and 2 229) employees.

On 3 March 2015, the Company released the statement on a material event to inform about the programme initiated within the group of the Lithuanian energy companies aimed at identifying central activities of this group. Under the concept of the programme the merger of LESTO AB and Lietuvos Dujos AB by establishing a single entity of distribution networks is scheduled to be completed by the end of December 2015, which will start its operations from 1 January 2016. On 29 May 2015, the extraordinary general shareholder meeting of LESTO AB was held where a decision was made to approve the preparation of the terms and conditions of the reorganisation of LESTO AB and Lietuvos Dujos AB by way of merger.

## 2 Basis of preparation

The Company's and the Group's condensed interim financial statements for the six-month period ended on 30 June, 2015 have been prepared according to International Financial Reporting Standards as adopted by the European Union and applicable to interim financial reporting (International Accounting Standard 34, 'Interim financial reporting'). These unaudited financial statements should be read in conjunction with the Company's annual financial statements for the year ended 31 December 2014, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

## 3 Accounting policies

Financial year of Company and other Group companies coincides with the calendar year.

The accounting policies applied in the preparation of this condensed interim financial information are consistent with those of the annual financial statements for the year ended 31 December 2014.

Income taxes for the interim reporting periods have been estimated using the tax rate that would be applicable to the estimation of income taxes on the expected gross profit for the year.

Functional and presentation currency

These condensed interim financial statements are presented in the national currency the euro (EUR), which is the Company's functional and presentation currency. Until 31 December 2014, the currency of the Republic of Lithuania was the litas. The litas was pegged to the euro at the exchange rate of LTL 3,4528 to EUR 1. With effect from 1 January 2015, Lithuania joined the euro area and the euro became its national currency. The euro replaced the litas at the exchange rate of LTL 3,4528 to EUR 1. The Company converted comparative figures from the litas to the euro using the official exchange rate, i.e. LTL 3,4528 to EUR 1. The conversion of the authorised share capital is disclosed in Note 11.

There are no new standards, amendments and interpretations that are mandatory for the Company with effect from 2015, and that would have a material impact on the Company's financial information.

## 4 Critical accounting estimates

The preparation of the condensed interim financial information requires management to make estimates and use assumptions that affect the accounting policies applied and reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

The significant management judgements regarding the application of the accounting policies and the main sources for determining uncertainties used in the preparation of these condensed interim financial statements are consistent with those of the annual financial statements for the year ended 31 December 2014, except as indicated below.

### Depreciation rates of property, plant and equipment

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In 2014, the Company reviewed the remaining useful lives of its property, plant and equipment. The remaining useful lives of separate items of PP&E were estimated with reference to the IOWA depreciation curves. Based on IOWA curves, the useful life assets exceeds the standard useful life for financial reporting purposes, because the useful life of obsolete items of assets, if properly maintained and supported, may become longer than the standard useful lives of assets. The reviewed useful lives were applied when calculating depreciation expenses from 1 January 2015.

Write-down of inventory to net realisable value

In 2015, a new policy for the write-down of inventory to net realisable value was approved. Inventories have been classified as ageing and non-ageing based on their technical characteristics, the purpose of use, useful life, etc. Expiry terms have been established for ageing inventories, at the end of which inventories are fully provided for. For non-ageing inventories a 0% write-down allowance is calculated. A special procedure for the determination and calculation of inventory write-down allowance is performed once a year, during which inventories no longer fit for use (due to a physical condition, changes in technological processes and other reasons) are identified.

Disposal of NT Valdos, UAB

On 27 April 2015, the Company sold to Lietuvos Energija, UAB 2 954,084 ordinary registered shares of NT Valdos, UAB representing 57,30% of the share capital of NT Valdos, UAB. The share sale agreement stipulates that the sale price comprises the Basic Sale Price and the Basic Sale Price Premium, which will be paid by 31 March 2019, if financial ratios set forth in the agreement are met. The Company accounted for the sale price premium under the line item 'Non-current amounts receivable' of the statement of financial position, because, management believes that financial ratios set forth in the sale agreement will be achieved. The result of the recognised sale transaction comprised gain from the disposal of shares and expenses related to the adjustment of the fair value of the sale price premium.

## 5 Property, plant and equipment

The movement on the Group's and the Company's property, plant and equipment account is as follows:

Group	Land	Buildings	Structures and machinery	Motor vehicles	Computer hardware and other communication equipment	Other property, plant and equipment	Construction in progress	Total
<b>Six-month period ended 30 June 2015</b>								
<b>Net book amount at 1 January 2015</b>	<b>131</b>	<b>39 803</b>	<b>647 890</b>	<b>14 121</b>	<b>590</b>	<b>6 923</b>	<b>12 580</b>	<b>722 038</b>
Additions	-	131	69	2 304	6	7	41 959	44 476
Disposals	-	( 3)	( 11)	( 114)	( 13)	-	-	( 141)
Change in impairment	-	-	-	-	-	-	-	-
Write-offs	-	( 8)	( 1 026)	-	-	( 5)	-	( 1 039)
Reclassifications between groups, transferred to intangible assets, inventories, assets held for sale	-	103	41 474	11	18	548	( 42 154)	-
Revaluation	-	-	-	( 65)	-	-	-	( 65)
Reclassifications in the financial and investment property	-	( 21)	-	( 420)	-	-	-	( 441)
Disposal of subsidiaries	( 52)	( 20 784)	( 2 272)	( 14 820)	( 365)	( 213)	( 1 589)	( 40 095)
Depreciation charge	-	( 1 113)	( 15 536)	( 1 013)	( 57)	( 685)	-	( 18 404)
<b>Net book amount at 30 June 2015</b>	<b>79</b>	<b>18 108</b>	<b>670 588</b>	<b>4</b>	<b>179</b>	<b>6 575</b>	<b>10 796</b>	<b>706 329</b>

Company	Land	Buildings	Structures and machinery	Motor vehicles	Computer hardware and other communication equipment	Other property, plant and equipment	Construction in progress	Total
<b>Six-month period ended 30 June 2015</b>								
<b>Net book amount at 1 January 2015</b>	<b>79</b>	<b>18 269</b>	<b>646 112</b>	<b>4</b>	<b>196</b>	<b>6 693</b>	<b>11 281</b>	<b>682 634</b>
Additions	-	131	76	-	-	-	41 658	41 865
Disposals	-	( 3)	( 11)	-	( 13)	-	-	( 27)
Change in impairment	-	-	-	-	-	-	-	-
Write-offs	-	( 8)	( 1 026)	-	-	( 4)	-	( 1 038)
Reclassifications between groups, transferred to intangible assets, inventories, assets held for sale	-	712	40 865	-	18	548	( 42 143)	-
Depreciation charge	-	( 993)	( 15 428)	-	( 22)	( 662)	-	( 17 105)
<b>Net book amount at 30 June 2015</b>	<b>79</b>	<b>18 108</b>	<b>670 588</b>	<b>4</b>	<b>179</b>	<b>6 575</b>	<b>10 796</b>	<b>706 329</b>

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Additions under 'Construction in progress' increased mainly as a result of reconstruction works of electricity networks and replacement of complete transformers with pole-mounted transformers.

Write-offs mainly represent write-offs of structures and electricity network equipment as a result of the implementation of reconstruction works of electricity networks when replacing old equipment with the new one.

Revaluation of property plant and equipment at 31 December 2014

The Company accounts for property, plant and equipment at revalued amount in accordance with IAS 16, 'Property, plant and equipment'. Based on the requirements set forth in paragraph 31 of IAS 16, in 2014 the Company performed valuation of its property, plant and equipment with reference to the report on valuation of PP&E prepared by Ernst & Young Baltic UAB, and determined that the fair value of PP&E (including construction in progress) as at 31 December 2014 amounted to EUR 683 million, which was EUR 618 million lower than the carrying amount of PP&E equal to EUR 1 301 million as at 31 December 2014. A significant change in the value of PP&E was mainly caused by application of economic obsolescence. In view of the decisions adopted during the period 2009-2015 by the National Control Commission for Prices and Energy (the Commission) and based on economic obsolescence estimates (using the income method), the value of the Company's PP&E is lower than that, which is estimated under the cost method.

The fair value of the Company's property, plant and equipment was determined using the income and cost methods. All PP&E was attributed to Level 3 in the fair value hierarchy, as set forth in IFRS 13.

Valuation of property was carried out in the following stages: (i) replacement cost of new assets was estimated; (ii) physical and functional obsolescence of assets was determined; (iii) possible recoverability of assets was assessed (using the income method).

When estimating economic obsolescence, a cash flow forecast was prepared for the period from IVQ 2014 to 2024. There have been no significant changes in key assumptions used in the cash flow forecast to estimate economic obsolescence of assets since the last valuation of assets, therefore, these assumptions are regarded as relevant as at 30 June 2015 as well.

It is important to note that all above-mentioned assumptions used for the valuation of assets did not significantly change during the period from the last valuation of property, plant and equipment until 30 June 2015, therefore, no possible impairment indications have been identified with respect to property, plant and equipment as at 30 June 2015.

All PP&E was attributed to Level 3 in the fair value hierarchy, as set forth in IFRS 13. The distribution of the fair value of the Company's property, plant and equipment according to the fair value hierarchy levels is as follows as at 30 June 2015:

	Level 1	Level 2	Level 3	Total:
	Quoted prices in active markets	Other directly or indirectly observable inputs	Unobservable inputs	
Land	-	-	79	79
Buildings	-	-	18 108	18 108
Structures and machinery	-	-	670 588	670 588
Motor vehicles	-	-	4	4
Other property, plant and equipment	-	-	6 754	6 754
Construction in progress	-	-	10 796	10 796
<b>Fair value at 30 June 2015</b>	-	-	<b>706 329</b>	<b>706 329</b>

Revaluation of assets of subsidiaries

In October 2014, independent property valuer InReal UAB carried out valuation of all buildings and structures of the Company's subsidiary NT Valdos UAB using the comparable (analogue sale price) method. Management of NT Valdos UAB believes that the values of these buildings and structures adjusted under this method as at 1 December 2014 approximated their fair value. The values of 59 items of assets were adjusted with reference to the fair values determined by independent property valuer amounting to LTL 27,835,100. From this number, increase in value was determined for 21 items of assets in amount of LTL 1,478,430, and decrease in value was determined for 3 items of assets in amount of LTL 421,194. The carrying amounts of the remaining 35 items of assets were not adjusted in view of the established materiality limit.

In October 2014 valuation of motor vehicles was carried out. The management of subsidiary NT Valdos, UAB established fair values of cars based on market prices as of 31 October 2014 which are available from VŠĮ „Emprekis“ database. All 1426 items were revalued.

Valuation of special purpose motor vehicles was performed by independent property valuer Ober-Haus UAB, 105 items were selected out of 404. The values of vehicles were adjusted with reference to the fair values determined by independent property valuers using the comparable method. Total value of these assets amounts to LTL 3,302,100.

In the opinion of management of Elektros Tinklo Paslaugos UAB, there were no significant indications of changes in the values of PP&E in 2014, and accordingly, no revaluation was performed for PP&E as at 31 December 2014.

## 6 Intangible assets

The movement on the Group's and the Company's intangible assets and propety account is as follows:

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Group	Patents and licences	Computer software	Other intangible assets	Projects in progress	Total
<b>Six-month period ended 30 June 2015</b>					
<b>Net book amount at 1 January 2015</b>	<b>34</b>	<b>2 319</b>	<b>41</b>	<b>184</b>	<b>2 578</b>
Additions	6	-	-	455	461
Disposal of subsidiaries	( 9)	( 11)	( 1)	( 7)	( 28)
Amortisation charge	( 7)	( 630)	( 11)	-	( 648)
<b>Net book amount at 30 June 2015</b>	<b>24</b>	<b>1 678</b>	<b>29</b>	<b>632</b>	<b>2 363</b>

Company	Patents and licences	Computer software	Other intangible assets	Projects in progress	Total
<b>Six-month period ended 30 June 2015</b>					
<b>Net book amount at 1 January 2015</b>	<b>34</b>	<b>2 302</b>	<b>41</b>	<b>176</b>	<b>2 553</b>
Additions	-	-	-	455	455
Amortisation charge	( 6)	( 628)	( 11)	-	( 645)
<b>Net book amount at 30 June 2015</b>	<b>28</b>	<b>1 674</b>	<b>30</b>	<b>631</b>	<b>2 363</b>

## 7 Non-current receivables

Non-current receivables consist of mortgage loans granted to private individuals for a period of 25 years, and the non-current portion of loans, amounts receivable from related companies.

The mortgage loans are repayable in instalments till 2027. These loans are secured over residential housing property. In the first half of 2015, the current portion of these loans amounted to EUR 80 thousand (2014: EUR 76 thousand) and was accounted for under trade and other receivables (Note 9). These loans were issued at a fixed interest rate ranging from 0.1 to 1 per cent.

The non-current portion of amounts receivable from related companies comprises the part of the amount due from Lietuvos Energija UAB for sale of shares of Elektros Tinklo Paslaugos UAB and NT Valdos, UAB (Note 17), the settlement of which is scheduled after 30 June 2016.

	Group		Company	
	30-06-2015	31-12-2014	30-06-2015	31-12-2014
Non-current portion of mortgage loans granted	445	480	445	480
Non-current portion of amounts receivable from related parties (Note 18)	22 264	-	22 264	-
Non-current portion of finance lease	-	931	-	-
Other non-current receivables	-	52	-	-
<b>Iš viso:</b>	<b>22 709</b>	<b>1 463</b>	<b>22 709</b>	<b>480</b>

## 8 Inventories

	Group		Company	
	30-06-2015	31-12-2014	30-06-2015	31-12-2014
Raw materials and spare parts	1 215	2599	1 215	1 208
Electricity meters	670	657	670	657
Fuel	38	35	38	35
Other	266	455	266	324
Less: write-down allowance for inventories	( 12)	( 1 430)	( 12)	( 620)
<b>Total:</b>	<b>2 177</b>	<b>2 316</b>	<b>2 177</b>	<b>1 604</b>

The calculation of inventory write-down to net realisable value under the new methodology approved in 2015 resulted in the reversal of write-down allowance for inventories.

Movement on the Group's and the Company's allowance account for inventory write-down in the first half of 2015 and in 2014 was as follows:

	Group		Company	
	30-06-2015	31-12-2014	30-06-2015	31-12-2014
<b>Inventory write-down at the beginning of the period</b>	<b>1 430</b>	<b>1 905</b>	<b>620</b>	<b>901</b>
Increase in inventory write-down	-	19	-	20
Disposal of subsidiaries	( 810)	-	-	-
Write-off/(reversal) of inventory write-down	( 608)	( 494)	( 608)	( 301)
<b>Inventory write-down at the end of the period</b>	<b>12</b>	<b>1 430</b>	<b>12</b>	<b>620</b>



## 9 Trade and other receivables

	Group		Company	
	30-06-2015	31-12-2014	30-06-2015	31-12-2014
Trade receivables	50 665	60 770	50 665	59 846
Trade and other receivables from related parties (Note 18)	34 628	4 426	34 628	2 979
Current portion of mortgage loans	80	76	80	76
Current portion of finance lease	-	163	-	-
Other amounts receivable	665	2 226	665	2 026
Less: impairment allowance for doubtful receivables	( 9 909)	( 8 930)	( 9 909)	( 8 717)
<b>Total:</b>	<b>76 129</b>	<b>58 731</b>	<b>76 129</b>	<b>56 210</b>

Movements on the Company's impairment allowance account for trade and other receivables in the first half of 2015 and in 2014 were as follows:

	Group	Company
<b>Balance at 1 January 2014</b>	<b>11 666</b>	<b>11 479</b>
Impairment charge for the year	( 1 638)	( 1 666)
Write-offs	( 1 098)	( 1 096)
<b>Balance at 1 January 2015</b>	<b>8 930</b>	<b>8 717</b>
Impairment charge for the half-year	1 423	1 420
Disposal of subsidiaries	( 216)	-
Write-offs	( 228)	( 228)
<b>Balance at 30 June 2015</b>	<b>9 909</b>	<b>9 909</b>

## 10 Cash and cash equivalents, and term deposits

### Cash and cash equivalents

	Group		Company	
	30-06-2015	31-12-2014	30-06-2015	31-12-2014
Cash at bank	15 134	10 401	15 134	4 109
<b>Total:</b>	<b>15 134</b>	<b>10 401</b>	<b>15 134</b>	<b>4 109</b>

Cash and cash equivalents include the following for the purpose of the cash flow statement:

	Group		Company	
	30-06-2015	31-12-2014	30-06-2015	31-12-2014
Cash and cash equivalents	15 134	10 401	15 134	4 109
Bank overdraft (Note 15)	( 18 437)	( 12 810)	( 18 437)	( 12 810)
<b>Total:</b>	<b>( 3 303)</b>	<b>( 2 409)</b>	<b>( 3 303)</b>	<b>( 8 701)</b>

## 11 Share capital

As at 31 December 2014, the Company's authorised share capital comprised 603,944,593 ordinary registered shares with par value of LTL 1 each. All the shares are fully paid. According to the amending law on the articles No 2, 40 and 78 of the Law on Companies No VIII-1835 and the Law on public and private companies' share capital and securities nominal value expression in euros and the amending law on these companies law, on 1 January, 2015 the nominal value of the Company's shares was converted into euros. After conversion the nominal value of one ordinary registered share amounts to EUR 0.29. Due to the rounding of the share's nominal value in the precision of euro cents, the rounding result of EUR 229 thousand was accounted as the Company's finance costs.

## 12 Dividends

On 30 September, 2014, the Extraordinary General Meeting of LESTO AB Shareholders made a decision to pay out dividends for the period shorter than financial year. Dividends for the six months period ended on 30 June, 2014, per share amounted to EUR 0.03.

On 27 April, 2015, the Ordinary General Meeting of LESTO AB Shareholders made a decision to pay out dividends for the period from 1 July to 31 December, 2014. Dividends for the period from 1 July to 31 December, 2014, per share amounted to EUR 0.02.

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## 13 Trade and other payables

	Group		30-06-2015	Company	
	31-12-2014	31-12-2014		31-12-2014	31-12-2014
Trade payables	21 689	40 205		21 689	37 034
Trade payable to subsidiaries (Note 18)	-	-		-	5 970
Trade payables to related parties (Note 18)	40 156	35 425		40 156	35 176
<b>Total trade payables:</b>	<b>61 845</b>	<b>75 630</b>		<b>61 845</b>	<b>78 180</b>
Taxes (other than income tax)	1 133	705		1 133	214
Employment-related liabilities	1 735	1 220		1 735	949
Other current liabilities	2 532	2 475		2 532	2 467
Total other amounts payable:	5 400	4 400		5 400	3 630
<b>Trade and other payables</b>	<b>67 245</b>	<b>80 030</b>		<b>67 245</b>	<b>81 810</b>

## 14 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as Board that makes strategic decisions.

According to the management, the Company has a single operating segment, i.e. supply and distribution of electric power. The Company have a single geographical segment – Republic of Lithuania. The chief operating decision-maker monitors the results with reference to the financial reports that have been prepared using the same accounting policies as those used for the preparation of the financial statements in accordance with IFRS, i.e. information on profit or loss, including the reported amounts of income and expenses, assets and liabilities.

## 15 Borrowings

	Group / Company	
	30-06-2015	31-12-2014
<b>Non-current borrowings</b>		
Borrowings from banks	148 557	99 855
<b>Current borrowings</b>		
Bank <i>overdraft</i>	18 437	12 810
Borrowings from banks	52 123	109 413
	70 560	122 223
<b>Total borrowings:</b>	<b>219 117</b>	<b>222 078</b>

As at 31 December 2014, the Company was not in compliance with one of the financial covenants stipulated in a long-term loan agreement; therefore, the loan balance of EUR 6 316 thousand was reclassified in full to current borrowings. As at 30 June 2014, all financial covenants related to this loan were met, however the Company plans to repay this loan until 31 December 2015, therefore, the loan was not reclassified to non-current borrowings.

All borrowings of the Company bear variable interest rate with repricing period up to 6 months. No assets are provided as collateral for borrowings.

Non-current borrowings by maturity:

	Group / Company	
	30-06-2015	30-06-2015
Between 1 and 2 years	64 444	54 279
Between 2 and 5 years	84 113	45 576
<b>Total:</b>	<b>148 557</b>	<b>99 855</b>

### Liquidity risk

The Group's and the Company's policy is to maintain sufficient cash and cash equivalents or have available funding through adequate amounts of committed credit facilities to meet its commitments at a given date in accordance with its strategic plans. The Group's current liquidity (total current assets / total amounts payable within one year and current liabilities) and quick ratios ((total current assets – inventories)

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/ total amounts payable within one year and current liabilities) as at 30 June 2015 were 0,62 and 0,61, respectively (31 December 2014: 0,34 and 0,33, respectively). The Company's current liquidity (total current assets / total amounts payable within one year and current liabilities) and quick ratios ((total current assets – inventories) / total amounts payable within one year and current liabilities) as at 30 June 2015 were 0,61 and 0,59, respectively (31 December 2014: 0,30 and 0,29, respectively). In order to minimise balances of cash in bank accounts, the Company is using credit lines. As at 30 June 2015, the Company's unwithdrawn balance of the overdraft amounted to EUR 10 525 thousand and the unwithdrawn portion of the long-term credit amounted to EUR 55 500 thousand as at 30 June 2015.

As at 30 June 2015, the Group's and the Company's current liabilities exceeded its current assets by EUR 60 465 thousand (31 December 2014: EUR 150 038 thousand and EUR 160 178 thousand, respectively).

## 16 Revenue

	Group		Company	
	At 30 June 2015	At 30 June 2014	At 30 June 2015	At 30 June 2014
Electricity sales and distribution	282 212	314 261	282 212	314 657
Income from connection of new customers	7 311	7 536	7 531	7 536
Lease of premises and motor vehicles	2 553	3 166	-	-
Gain on disposal of subsidiary	4 598	-	822	-
Other income	4 374	6 099	2 067	2 028
<b>Total:</b>	<b>301 048</b>	<b>331 062</b>	<b>292 632</b>	<b>324 221</b>

## 17 Investments

The Company's investments in subsidiaries during the periods ended 30 June 2015 and 31 December 2014 were as follows:

Company	At 30 June 2015	At 31 December 2014
Elektros tinklo paslaugos UAB	-	6 873
NT Valdos, UAB	-	52 109
<b>Carrying amount at the end of the period</b>	<b>-</b>	<b>58 982</b>

On 31 March 2015, the Company sold to Lietuvos Energija, UAB 18 904 252 (eighteen million, nine hundred and four thousand, two hundred and fifty-two) shares of Elektros Tinklo Paslaugos UAB for the amount of EUR 7 695 thousand. The EUR 822 thousand gain from the share sale transaction was accounted for under the line item 'Revenue' in the statement of comprehensive income.

On 27 April 2015, the Company sold to Lietuvos Energija, UAB 2 954,081 (two million, nine hundred fifty four thousand and eight-one) shares of NT Valdos, UAB. The basic sale price of these shares is equal to EUR 41 176 thousand and the basic sale price premium amounts to EUR 11 120 thousand. The EUR 898 thousand loss on the share sale transaction was accounted for under the line item 'Other expenses' in the Company's statement of comprehensive income. The result comprised gain of EUR 188 thousand from the disposal of shares and expenses of EUR 1 086 thousand related to the adjustment of the fair value of the sale price premium. The share sale agreement stipulates that the sale price premium will be paid to the Company by 31 March 2019, if in 2018 NT Valdos, UAB meets financial covenants set forth in the agreement.

After the completion of these transactions the Company had no subsidiaries as at 30 June 2015.

Movements on the Company's investments in subsidiaries account during the periods ended 30 June 2015 and 31 December 2014 are summarised below:

Company	1H 2015	1H 2014
<b>Carrying amount as at 1 January</b>	58 982	58 982
Disposal of subsidiaries	(58 982)	-
<b>Carrying amount at the end of the period</b>	<b>-</b>	<b>58 982</b>

Gain from the disposal of subsidiaries was accounted for under the line item 'Revenue' in the statement of comprehensive income, while the carrying value of assets and liabilities sold, was as follows:

	Elektros tinklo paslaugos UAB	NT Valdos UAB	Corrections	Total
Intangible assets	9	19	-	28
Property, plant and equipment	3 167	25 307	(1 031)	27 443
Investment property	-	57 443	-	57 443
Deferred income tax assets	73	-	-	73
Non-current amounts receivable	-	1 219	-	1 219
Inventories	1 414	27	-	1 441
Non-current assets classified as held for sale	-	40	-	40
Current receivables	4 049	2 943	(68)	6 924

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	Elektros tinklo paslaugos UAB	NT Valdos UAB	Corrections	Total
Cash and cash equivalents	2 039	5 682	-	7 721
Non-current liabilities	( 52)	( 52)	-	( 104)
Deferred income tax liability	-	( 1 102)	96	( 1 006)
Income tax liability	( 59)	( 43)	-	( 102)
Trade and other payables	( 4 209)	( 2 877)	-	( 7 086)
<b>Net value of assets</b>	<b>6 431</b>	<b>88 606</b>	<b>( 1 003)</b>	<b>94 034</b>
<b>Selling price</b>	<b>7 695</b>	<b>51 210</b>	<b>-</b>	<b>58 905</b>
<b>Difference accounted in the Group</b>	1 264	( 37 396)	1 003	( 35 129)
<b>The difference included:</b>				
In the statement of comprehensive income	1 523	2 072	1 003	4 598
In the items of equity attributable to non-controlling interest	-	( 37 837)	-	( 37 837)
In the items of equity	( 259)	( 1 631)	-	( 1 890)

On 31 March 2014, the Company and Lietuvos Energija, UAB signed the agreement on sale-purchase of shares, based on which the Company's proprietary shares in associate Duomenų Logistikos Centras UAB (representing 24,94% of its share capital) were sold to Lietuvos Energija, UAB for the amount of EUR 5 526 402.

On 21 July 2014, the Company together with Lietuvos Energija, UAB, Lietuvos Energijos Gamyba AB, LITGAS UAB and Technologijų ir Inovacijų Centras UAB signed the memorandum of incorporation of Verslo Aptarnavimo Centras UAB to be engaged primarily in the provision of public procurement organisation and execution, accounting and personnel administration services to the shareholders. The concentration of the service functions within one company was implemented by attracting specialists of all these fields from the companies of Lietuvos Energija, UAB group to the team of Verslo Aptarnavimo Centras UAB. As at 31 December 2014, the Company's ownership interest in Verslo Aptarnavimo Centras UAB was 15%.

The shareholders of Verslo Aptarnavimo Centras UAB who hold 5 (five) or more percent of shares may each nominate 1 (one) candidate to the Company's board, and all shareholders who hold less than 5 (five) percent of shares may all collectively nominate 1 (one) candidate. During the voting, each member has one vote. When the number of affirmative votes is equal to the number of negative votes, the casting vote is that of the chairman of the board. Since the Group has significant power in governance of the company when the decisions are made, Verslo Aptarnavimo Centras UAB is treated as an associate.

On 10 July 2014, the authorised share capital of Technologijų ir Inovacijų Centras UAB was increased from EUR 2 896 to EUR 5 792 400. On increase of share capital of Technologijų ir Inovacijų Centras UAB, LESTO AB made a cash contribution for 4 442 222 newly issued ordinary registered shares. As a result, the Company's ownership interest in Technologijų ir Inovacijų Centras UAB increased from 20% to 22,22%. On 19 December 2014, the authorised share capital of Technologijų ir Inovacijų Centras UAB was increased up to EUR 6 429 716 by issuing additional 2 200 525 ordinary registered shares. As a result of increase in authorised share capital of Technologijų ir Inovacijų Centras UAB, the Company's ownership interest in Technologijų ir Inovacijų Centras UAB decreased from 22,22% to 20,02%.

Movements on investments in associates account during the periods ended 30 June 2015 and 31 December 2014 are summarised below:

	Group 1H 2015	Company 1H 2015	Group 1H 2014	Company 1H 2014
<b>Carrying amount at 1 January</b>	<b>1 446</b>	<b>1 374</b>	<b>5 645</b>	<b>5 527</b>
Acquisition of associates	-	-	1 373	1 373
Disposal of associates	-	-	( 5 682)	( 5 526)
Gain/(loss) on investments in associates	( 21)	-	110	-
<b>Carrying amount at the end of the period</b>	<b>1 425</b>	<b>1 374</b>	<b>1 446</b>	<b>1 374</b>

## 18 Related-party transactions

The Company's related parties in 2015 and 2014 were as follows:

- Lietuvos Energija, UAB (the main shareholder of the Company) and its subsidiaries and associates;
- Subsidiaries of the Company;
- Associates of the Company;
- Management of the Company including companies in which they hold executive positions or companies which are controlled by them or over which a significant influence is exercised;

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- All companies which are owned by the state or over which the state exercises a significant influence (transactions with these companies are disclosed when they are material).

Purchase and sale of goods and services:

The Group's transactions with related parties between January and June of 2015 and the balances arising on these transactions as at 30 June 2015 are presented below:

Related parties	Payables and accrued expenses	Receivables and unbilled revenue	Purchases	Sales
Associates	1 067	-	4 822	308
Companies of Lietuvos Energija, UAB group	16 756	46 800	65 779	64 336
Companies of Litgrid AB group	22 333	10 092	78 628	4 155
<b>Total</b>	<b>40 156</b>	<b>56 892</b>	<b>149 229</b>	<b>68 799</b>

The Company's transactions with related parties between January and June of 2015 and the balances arising on these transactions as at 30 June 2015 are presented below:

Related parties	Payables and accrued expenses	Receivables and unbilled revenue	Purchases	Sales
Subsidiaries	-	-	5 665	244
Associates	1 067	-	4 603	-
Companies of Lietuvos Energija, UAB group	16 756	46 800	64 713	59 268
Companies of Litgrid AB group	22 333	10 092	78 626	2 782
<b>Total</b>	<b>40 156</b>	<b>56 892</b>	<b>153 607</b>	<b>62 294</b>

In 2015, amounts receivable from companies of Lietuvos Energija, UAB group increased due to the amount due from Lietuvos Energija, UAB for the acquired shares of Elektros Tinklo Paslaugos UAB and NT Valdosa, UAB (Note 17). The non-current portion of amounts receivable equals EUR 22 264 thousand (Note 7) and the current portion equals EUR 24 428 thousand.

Until 31 March 2015, transactions with Elektros Tinklo Paslaugos UAB were reported under the line item 'the Company's subsidiaries' and from 1 April 2015 they are reported under the line item 'Companies of Lietuvos Energija, UAB group'. Until 30 April 2015, transactions with NTV were reported under the line item 'the Company's subsidiaries' and from 1 May 2015 they are reported under the line item 'Companies of Lietuvos Energija, UAB group'.

The Group's transactions with related parties between January and June of 2014 and the balances arising on these transactions as at 31 December 2014 are presented below:

Related parties	Payables and accrued expenses	Receivables and unbilled revenue	Purchases	Sales
Associates	1 616	76	1 667	244
Companies of Lietuvos Energija, UAB group	3 532	293	-	-
Companies of Litgrid AB group	30 277	4 057	55 898	85
<b>Total</b>	<b>35 425</b>	<b>4 426</b>	<b>57 565</b>	<b>330</b>

The Company's transactions with related parties between January and June of 2014 and the balances arising on these transactions as at 31 December 2014 are presented below:

Related parties	Payables and accrued expenses	Receivables and unbilled revenue	Purchases	Sales
Subsidiaries	5 970	97	9 337	433
Associates	1 534	-	3 301	45
Companies of Lietuvos Energija, UAB group	3 401	62	67 339	220
Companies of Litgrid AB group	30 241	2 820	123 734	22 621
<b>Total</b>	<b>41 146</b>	<b>2 979</b>	<b>203 711</b>	<b>23 319</b>

Compensation to key management personnel

Group / Company	1H 2015	1H 2014
Wages and salaries and other short-term benefits to management personnel	203	180

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<b>Group / Company</b>	<b>1H 2015</b>	<b>1H 2014</b>
Number of key management personnel	6	7

Management consists of heads of administration and their deputies, and the chief financier. The chief financier has been included in key management personnel until 30 November 2014. With effect from 1 December 2014, accounting services are provided by Verslo Aptarnavimo Centras UAB.

## 19 Fair value measurement

There were no significant changes in the business and economic environment in the first half of 2015 that could affect the fair value of the Group's and the Company's financial assets and financial liabilities.

## 20 Commitments and contingencies

### Buyout of electricity equipment

In 2015, the Company executed simplified procedure of buyout of electricity objects (electricity networks) installed for common use using the funds of homestead owners in line with the deadlines stipulated in Resolution No. 1257 of 31 August 2010 of the Lithuanian Government On the establishment of deadlines for the buyout from cooperatives the electricity transmission and distribution lines, transformer substations, electric facilities and other equipment designated for the transmission and distribution of electricity and installed in the territory of homestead owners using the funds of such homestead owners, i.e. by 1 July 2011.

During the first half of 2015, 1 electricity networks of common use for the value of EUR 2 (2014: 6 electricity networks for the value of EUR 67 thousand) were bought out. During the period from the start date of the buyout procedure until 30 June 2015, 941 electricity networks of common use of homestead cooperatives for the value of EUR 11 852 thousand were bought out. As at 30 June 2015, 13 applications with requests to buyout equipment on concessionary terms remained unsettled with the value of EUR 189 thousand.

### Capital expenditure commitments

As at 30 June 2015, the Company's capital expenditure commitments assumed under the contracts as at the date of the financial statements but not accounted for in the financial statements amounted to EUR 21 586 thousand (31 December 2014: EUR 8 179 thousand).

### Litigations

#### Dispute with Vilniaus Energija

Vilniaus Energija UAB (the claimant) filed a claim to Vilnius Regional Administrative Court, whereby it requested to award damages of EUR 9,284 million from LESTO AB.

The claimant insisted that it incurred losses of EUR 9,284 million because for the purpose of ensuring compliance with the Lithuanian Government Resolution No 1051 of 20 November 2013 and the provisions of agreement on purchase/sale of electricity signed with the claimant, in 2014 LESTO AB purchased only that volume of supported electricity, which was produced under the technical minimum mode at the thermal power plants owned by the claimant. The claimant noted that the legal acts stipulated a requirement whereby LESTO AB was obliged to purchase maximum volume, and LESTO AB failed to comply with such requirement.

In its claim, the claimant requested as follows: to recognise the provisions of agreement on purchase/sale of electricity (No 80000/232945/753, dated 30 December 2013) between the claimant and respondent as void ab initio; to oblige the respondent to purchase the maximum volume of supported electricity in 2014 from the claimant, which was established for the claimant's thermal power plants No 2 and No 3 by the Lithuanian Government Resolution No 1051 of 20 November 2013; and to award damages of EUR 9,284 million from the respondent, as well as 6% annual interest on the awarded amount of damages from the respondent, starting from the date of initiation of the case until full fulfilment of the court's ruling, plus litigation costs incurred.

The respondent does not agree with the claimant's position that the respondent should be obliged to purchase full volume of supported electricity produced at thermal power plants No 2 and No 3, because the description of PSO services and other effective legal acts do not stipulate that the respondent is obliged to purchase full volume of electricity produced at thermal power plants No 2 and No 3.

During the investigation of the case, on 18 July 2014 the claimant requested to apply to the Constitutional Court in order to investigate whether certain provisions of the above-mentioned Resolution are not in contravention of the Lithuanian Constitution; such request of the claimant was rejected by the court; On 30 April 2015, the claimant filed a repeat request for the suspension of the case and application to the Constitutional Court in order to investigate a probable non-compliance of regulatory legislation with the Lithuanian Constitution and the laws. On 16 June 2015, the court ruled on the suspension of this civil case until the investigation of the court's reference to the Constitutional Court of the Republic of Lithuania and the passing of its ruling.

Considering the fact that the Constitutional Court has not yet passed any ruling in this case (it is probable that the request of the court of the first instance might be returned, etc.) and that in the Company's opinion, the claimant's claim has no grounds and should not be satisfied, this claim was not accounted for in the financial statements.

#### Dispute with the National Control Commission for Prices and Energy

LESTO AB filed a complaint to Vilnius Regional Administrative Court with request to annul the related Resolutions of the National Control Commission for Prices and Energy (the Commission), oblige the Commission to eliminate the violations, and include the following items in the level of revenue used for price cap calculation when determining the price caps for electricity distribution services provided by LESTO AB through medium and low voltage networks for the upcoming period:

- difference of EUR 7,777 million for 2015, which occurred as result of improper WACC amount applied by the Commission;
- difference of EUR 4,638 million for 2015, which occurred as result of the Commission's improper application of requirements set forth in legal acts in respect of allowable return on investment for LESTO AB;
- amount of EUR 16,455 million, as a result of unsubstantiated costs identified by the Commission during the audit that have been treated by LESTO AB as attributable to regulated activity costs;
- amount of EUR 11,929 million, as a result of the Commission's improper application of the requirements set forth in legal acts in respect of allowable return on investment and required regulated activity costs for LESTO AB.

In addition, LESTO AB filed a complaint to Vilnius Regional Administrative Court with request to annul the Commission's Resolutions and oblige the Commission to eliminate the violations, which resulted in:

- lower revenue of LESTO AB from PSO services for 2015 by EUR 862,78 million;
- lower electricity acquisition costs of LESTO AB for 2015 by EUR 311,63 million.

LESTO AB filed an appeal against the Commission's Regulation before the court whereby the Commission approved the regulatory period of electricity distribution activity of LESTO AB from 2016 to 2020; established the unadjusted amount of the regulated asset base (RAB) of the distribution activity in the medium and low voltage networks calculated using the LRAIC accounting model for the last (target) year of the regulatory period, i.e. 2020; the amount of the cost of capital in the medium and low voltage networks; the amounts of depreciation expenses in the medium and low voltage networks; the rate of return on investments in the medium and low voltage networks that meets the prudence criterion; the amount of operating expenses (OPEX) in the medium and low voltage networks. In the Company's opinion, when the Commission adopted the relevant Resolution it violated procedures established by the legal acts aimed at ensuring the evaluation of objective circumstances and the reasonableness of the decision, improperly applied the effective laws, improperly applied rules for the estimation of the value of the regulated assets, applied the incorrect rate of return on investments (WACC) that does not meet the prudence criterion; improperly applied rules for the determination of operating costs, etc.

LESTO AB objects to the Commission's Resolution No O3-351 of 4 June 2015 *Regarding the violation of terms and conditions of the regulated activity of LESTO AB* and using its right to judicial protection filed a claim to Vilnius Regional Administrative Court under the procedure established by the Law on Administrative Proceedings for the unreasonableness, unlawfulness and annulment of the Resolution on the application of sanctions, which is based on the following arguments: the sanction to LESTO AB was applied with reference to the results of the performed inspection, yet the inspection was performed by failing to comply with the requirements set forth in Article 364 (1) and (14) of the Law on Public Administration; in the inspection report the inspection commission delegated by the Commission presented a subjective evaluation of accounting data of LESTO; the inspection report does not meet the applicable criteria of necessity and legitimacy established in paragraph 52 of the Supervision Procedure and is not supported by arguments; when performing the inspection and following the provisions of the costs requirements, the Commission violated one of the fundamental principles of law *lex retro non agit*, therefore, illegitimately and wrongly applied sanctions to LESTO AB on the basis of the inspection report; the Resolution of the application of the sanction does not comply with the requirements stipulated in legal acts regulating the application of sanctions and also violates the terms for the application of disciplinary measures to entities established in Article 368 of the Law on Public Administration; no explanations or supporting arguments were given as to the amount of a monetary fine applied to LESTO AB, which is indicated in the Resolution on the application of sanctions and this is a violation of the terms and conditions for the application of disciplinary measures to entities established in Article 368 of the Law on Public Administration, etc.

In the Company's opinion, when the Commission adopted the relevant Resolutions it improperly interpreted and applied effective laws and other legal acts, exceeded its competence and violated the principles of public administration, failed to comply with the principles of supervision of activities of entities, improperly estimated costs required for LESTO AB to carry on its regulated activities and costs attributable to regulated activities. Accordingly, the Resolutions, in respect of which a complaint was filed, should be treated as unsubstantiated and unlawful. The disputed amounts were not accounted for in the financial statements.

#### Guarantees issued

On 6 August 2013, the Company's subsidiary Elektros Tinklo Paslaugos UAB signed a credit agreement with SEB Bankas AB for the maximum credit limit of LTL 10,000,000. The agreement expires on 6 August 2016. The credit limit is intended solely for issuing tender and performance guarantees during the borrower's participation at public tenders, and it should not be used for the payment of credit. The credit is subject to guarantee commitment fee equal to 0.68% annual interest.

## 21 Events after the reporting period

There were no significant events after 30 June 2015 and until the date of approval of the condensed interim financial information.

\*\*\*\*\*

2015

# AB LESTO GROUP CONSOLIDATED INTERIM REPORT

REPORT FOR THE SIX-MONTH PERIOD ENDED 30 JUNE, 2015

# lesto



Group of energetic  
companies

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**AB LESTO GROUP INTERIM REPORT**  
**Report for the six-month period ended 30 June, 2015**

**Reporting period covered by the report**

Report covers January to June of 2015.

**Information availability**

This report and other documents based on which it has been prepared are available at the company's office at Aguonų str. 26, Vilnius, Corporate Communication department (office No. 527) from 7.30 to 16.30 Monday to Thursday and from 7.30 to 15.15 on Fridays. Report is available on company's website ([www.lesto.lt](http://www.lesto.lt)) and on Stock exchange market NASDAQ OMX Vilnius website (<http://www.nasdaqomxbaltic.com>).

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

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

Office	Name, surname	Telephone
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Director of Finance and Administration division	Andrius Bendikas	+370 5 277 7524
Director of Finance department	Artūras Paipolas	+370 5 277 7524

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 31 August, 2015.

KEY OPERATIONAL AND FINANCIAL FIGURES AND RATIOS OF LESTO

AB LESTO key activity indicators					
		2014	2015	Change	
		6 months	6 months	+/-	%
<b>Activity indicators</b>					
Distributed electricity through medium- and low-voltage grids	<i>TWh</i>	4.17	4.25	0.08	2.0
Public and guaranteed supply	<i>TWh</i>	1.64	1.59	-0.05	-3.2
<b>Electricity quality indicators</b>					
SAIDI, minutes (with „force majeure“)	<i>minutes</i>	76.57	54.89		
SAIFI, times (with „force majeure“)	<i>times</i>	0.63	0.53		

AB LESTO key financial indicators					
		2014	2015	Change	
		6 months	6 months	+/-	%
Sales revenue	thousand EUR	324,221	292,632	-31,589	-9.7
Purchases of electricity and other related services	thousand EUR	214,335	180,344	-33,991	-15.9
Operating costs (1)	thousand EUR	40,111	41,264	1,153	2.9
EBITDA (2)	thousand EUR	69,775	71,024	1,249	1.8
EBITDA margin (3)	%	21.52	24.27		
Net profit (loss)	thousand EUR	14,693	43,039	28,346	192.9
		2014	2015		
		6 months	6 months		
Total assets	thousand EUR	1,417,877	832,806	-585,071	-41.3
Equity	thousand EUR	924,135	425,309	-498,826	-54.0
Financial debt	thousand EUR	203,001	219,117	16,116	7.9
Net financial debt (4)	thousand EUR	199,488	203,983	4,495	-2.2
Return on equity (ROE) (5)	%	3.15	21.01		
Equity capital level (6)	%	65.18	51.07		
Net financial debt / EBITDA of 12 months	%	153.43	156.74		
Net financial debt / Equity	%	21.59	47.96		

(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) + finance costs – finance income – received dividends + costs of depreciation and amortisation + value impairment costs + write-offs of tangible fixed assets (3) EBITDA margin = EBITDA / revenue;

(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) for the reporting period \* 2 / [(equity capital in the beginning of the reporting period + equity capital in the end of the reporting period) / 2];

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

 4

CEO LETTER

Dear investors,

The first half of 2015 has been very beneficial and with lots of news. During the first half of the year we have increased our electricity distribution network reliability, investments in network upgrade and shortened new customer's connection time to the distribution network. All these achievements are result of our consistent and focused efforts. One of our main strategic objectives is faster and simpler customer's connection. Therefore, we constantly review and improve our internal processes in order to reduce the administrative burden and save customers time.



Compared to the last year, we have calculated that the time taken for a business to be connected to the power distribution network has decreased by ten days, for private clients – by four days. During the first half of 2015 LESTO connected more than 12.8 thousand new customers to the distribution network – 8.3% more than in the same period of 2014.

We have noticed that increasing number of customers prefer more convenient service channels, which save time. In May this year our self-service website [www.manoelektra.lt](http://www.manoelektra.lt) private client margin has passed 500 hundred thousand. At the moment our clients, who wish to connect to our network, can fill in necessary documents without leaving their home.

Our customers satisfaction depends on our energy supply quality indicators, to which we pay exceptional attention. The first half of 2015 compared to the same period of 2014, the system average interruption duration index (SAIDI) with the influence of natural disasters ("force majeure") per customer amounted 54.89 minutes – a decrease of 21.68 minutes. The system average interruption frequency index (SAIFI) per customer decreased from 0.63 to 0.53.

Further enhancing the reliability of the network remains our priority. Therefore, planned investments of this year already are gaining momentum. During the first half of 2015 our investments in network upgrade and modernization reached EUR 42.2 million – 21.1% more compared to the same period of 2014. During the first half of this year investments in the 0.4-10 kV networks renovation and reconstruction increased by most – 88% to EUR 17.7 million.

We invest not only in new network equipment, but also we are preparing to integrate innovative technologies. In early May this year we announced an international tender for the procurement of smart meters. During this pilot project we will install smart meters for 3 thousand randomly selected customers. This will help to use electricity rationally and save household expenses.

An important step has been accomplished in new distribution network management system (DMS) implementation project. On the last day of June we signed an agreement with the contractor – IGE Energy Management Services Limited, a subsidiary of the US energy industry concern General Electric Company. The modern system will ensure better quality of electricity supply and distribution, bigger network reliability and expeditious recovery of power supply in the event of a failure.

In the first half of the year we continued our social responsibility projects - we have completed a joint project with the Birštonas municipality. Our pilot project has validated that efficient street lighting can save over 50% of electricity costs. In April, together with the project partners we awarded the "Sustainable School" participants - the country's schools and kindergartens which found inventive ways to cut the community's negative impact to the environment.

Our continued work during the first half of this year proves that we can raise the bar even higher. After all it will ensure a better service to clients and increase our flexibility in responding to the new challenges and needs in the electricity market.

Respectfully,

Aidas Ignatavičius

Chief Executive Officer of LESTO AB

## MATERIAL EVENTS FOR THE COMPANY IN THE REPORTING PERIOD

### Regarding LESTO investment plan for 2015-2025

On 3 February 2015 LESTO announced the investment plan for the period 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 1.7 billion euros into the modernization and renewal of the network by 2025. 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 the profit and long term credits.

### Regarding a planned merger of LESTO and Lietuvos Dujos AB

On 3 of March, 2015, LESTO received a letter from the Company's shareholder - Lietuvos Energija, UAB - containing information about expected changes. The letter informs that the Board of Lietuvos Energija approved the concept of activity chain purifying programme for Lietuvos Energija group, foreseeing the merger of LESTO and Lietuvos Dujos AB to the joint venture distribution network company.

### Regarding the Transfer of Shares of UAB "ELEKTROS TINKLO PASLAUGOS"

Following the decision of the Board of LESTO, LESTO and "Lietuvos energija", UAB concluded a Share purchase – sale Agreement on 31 March 2015. Under the Share purchase – sale Agreement, LESTO transferred shares of UAB "ELEKTROS TINKLO PASLAUGOS" owned by LESTO and equal to 100 percent of authorised capital of UAB "ELEKTROS TINKLO PASLAUGOS" to "Lietuvos energija", UAB. Shares of UAB "ELEKTROS TINKLO PASLAUGOS" was sold for share market value – 7,695,493.51 EUR, set by the independent property appraisers.

### Due to public procurement of a long-term loan

On 15 April, 2015 LESTO informed that it intends to begin a public procurement for a long-term loan. The loan amount shall be EUR 70 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.

### Regarding the Transfer of Shares of UAB NT Valdos

Following the decision of the Board of LESTO, LESTO and "Lietuvos energija", UAB concluded a Share purchase – sale Agreement on 27 April 2015. Under the Share purchase – sale Agreement, LESTO transferred shares of NT Valdos, UAB owned by LESTO and equal to 57.30 percent of authorized capital of NT Valdos, UAB to "Lietuvos energija", UAB. Shares of NT Valdos, UAB was sold for share market value – EUR 41,176,000, set by the independent property appraisers.

### Due to long-term loan agreement

On 15 May, 2015 LESTO and Pohjola Bank Plc. signed a long-term loan agreement according to which LESTO will be granted a loan of EUR 75 million. Maturity of the loan will be 5 years. The base interest rate - 1 month EURIBOR.

**ANALYSIS OF PERFORMANCE RESULTS**

Since 27 April, 2015 after the transfer of NT valdos, UAB shares, LESTO has no subsidiaries. For this reason, in order to ensure comparability, the financial ratios of the company LESTO are analysed.

**Sales, EBITDA, EBITDA margin**

During the six months of 2015 LESTO earned EUR 292.6 million. Comparing with the six months of 2014 LESTO income decreased by 9.7 %, comparing with the same period of 2013 declined by 16.3 %, comparing with the same period of 2012 decreased by 11.9 % and comparing with the same period of 2011 decreased by 10.2 % (during the six months of 2014 LESTO earned EUR 324.2 million, during the same period of 2013 – EUR 349.5 million, during the six months of 2012 – EUR 332.1 million and during the same period of 2011 – EUR 325.8 million).

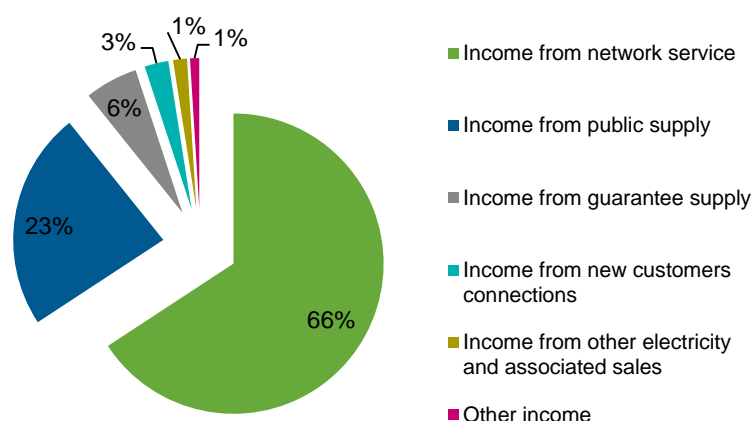
**LESTO EBITDA ratios**

	<b>2013</b> <b>January - June</b>	<b>2014</b> <b>January - June</b>	<b>2015</b> <b>January - June</b>
EBITDA, EUR thousand	68,247	69,775	71,024
EBITDA margin, %	19.53	21.52	24.27

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

EBITDA of LESTO during the six months of 2015 was EUR 71.0 million – 1.8 % more than during the same period in 2014.

**LESTO income structure**



The main source of Company’s income is income from network service. During the six months of 2015 income from network service made up 66 % of total Company’s income. Income from public supply service consisted 23 %, 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**

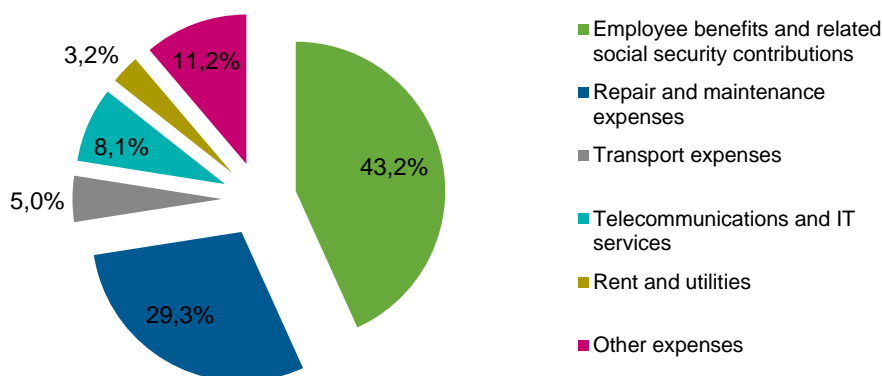
During the six months of 2015, electricity purchase and related services costs made up EUR 180.3 million and, compared with the same period of 2014, decreased by 15.9 %. During the reporting period electricity purchase and related services costs made up 74.8 % of total costs, depreciation and amortization accounted to 7.3 % of total costs. Operating expenses<sup>1</sup>

<sup>1</sup> 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

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accounted to 17.1 % of total costs, the remaining share of costs (0.8 %) consisted of revaluation and write-offs of fixed tangible assets expenses. During the six months of 2015, employee benefits and related social security contributions made up 43.2 % of total operating expenses, repair and maintenance accounted to 29.3 % of total operating expenses.

**LESTO operating expenses structure**



The results of the six months of 2015 shows that LESTO operating expenses increased by 2.9 % compared with the same period of 2014. During the reporting period repair and maintenance expenses increased by 1.7 % compared with the same period of 2014 and amounted to EUR 12.1 million, while telecommunications and IT services increased by 6.3 % and amounted to EUR 3.4 million. LESTO rent and utilities costs decreased by 5.4 % compared with the same period of 2014 and were equal to EUR 1.3 million, while transport expenses declined by 6.4 % and amounted to EUR 2.1 million. During the six months of 2015, employee benefits and related social security contributions declined by 4.2 % compared with the same period of last year and amounted to EUR 17.8 million.

**Profit, loss and profitability ratios**

LESTO results for the six months of 2015 is a net profit of EUR 43.0 million, while LESTO net profit amounted to EUR 14.7 million in the same period of 2014 and a net profit of EUR 6.8 million in the same period of 2013. During the six months of 2012, LESTO net loss amounted to EUR 3.8 million and a net loss of the six months of 2011 was equal to EUR 8.0 million.

**LESTO profitability ratios**

	<b>2013</b> <b>January - June</b>	<b>2014</b> <b>January - June</b>	<b>2015</b> <b>January - June</b>
Net profit margin, %	1.95	4.53	14.71
Operating profit margin, %	2.34	5.62	17.65
ROA, %	0,94	2,06	10,44
ROE, %	1,44	3,15	21,01

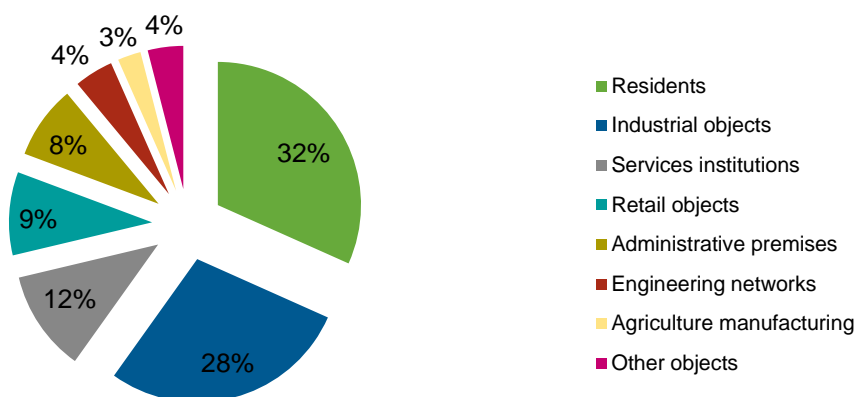
\* ROA = net profit (loss) for the reporting period \* 2 / [(total assets at the beginning of the reporting period + total assets at the end of the reporting period) / 2];  
 \*\* Return on equity (ROE) = net profit (loss) for the reporting period \* 2 / [(equity capital in the beginning of the reporting period + equity capital in the end of the reporting period) / 2].

### Activity indicators

	2014 January - June	2015 January - June
Amount of electricity received to the distribution network, million kWh	4,477	4,532
Technological losses in the distribution network, million kWh	310	283
Volume of network service, million kWh	4,167	4,250
Amount of electricity sold, million kWh	1,642	1,589
<b>Electricity quality indicators:</b>		
SAIDI, minutes (with "force majeure")	76.57	54.89
SAIFI, times (with "force majeure")	0.63	0.53

During the six months of 2015 the amount of LESTO network service reached 4,250 million kWh. Electricity sales made up 37.4 % of this amount, to the rest customers LESTO granted only network service. Comparing with the same period of 2014, the amount of electricity sold decreased by 3.2 %, while the volume of network service increased by 2.0 %. Technological losses experienced by the Company during the six months of 2015 amounted to 283 million kWh and this totalled to 6.2 % from the amount of electricity received while during the same period of 2014 technological losses totalled to 6.9 % 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 12 % respectively. In comparison with the six months of 2014 data, the structure of electricity network service has changed insignificantly. The share of electricity transmitted to industrial objects increased by 1 percentage point, and that of retail objects declined by 1 percentage point.

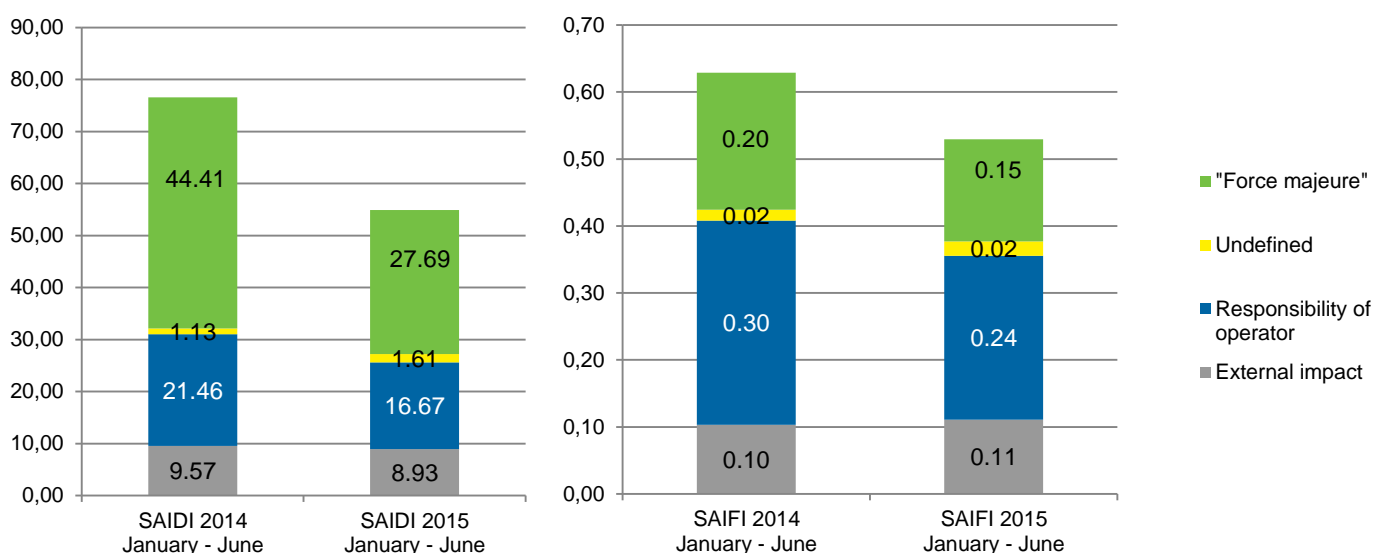
### Distribution network reliability indexes

In the six months of 2015, with the influence of natural disasters ("force majeure") the system average interruption duration index (SAIDI) per customer amounted to 54.89 minutes and, compared with the same period of 2014, it has decreased by 21.68 minutes (SAIDI for the six months of 2014 was equal to 76.57 minutes). Natural phenomena omitted, SAIDI index declined during the six months of 2015 and amounted to 27.21 minutes (SAIFI for the six months of 2014 was equal to 32.16 minutes). The system average interruption frequency index (SAIFI) per customer reached 0.37 times and, compared with the same period of 2014, it has slightly decreased (SAIFI for the six months of 2014 amounted to 0.42 times).



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Quality of electricity supply (SAIDI, SAIFI) 2014 January – June and 2015 January – June



### 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 six months of 2015, LESTO investments in electricity network expansion and modernization reached EUR 42.2 million. This is 21.1 % more compared to the investment during the same period of 2014.

During the six months of 2015, compared with the same period of 2014, the biggest increase was in the low voltage electricity grid (87.8 %), while investment in the medium voltage electricity grid increased by 58.2 % compared with the same period of 2014. Investment in the buyout of electricity objects decreased by 41.6 %, while investment in the connection of new objects decreased by 10.9 %.

LESTO investment, EUR thousand

	2014	2015	Change, %	Structure, %	
	January - June	January - June		2014	2015
<b>Investments in expansion</b>	<b>22,659</b>	<b>20,158</b>	<b>-11.0%</b>	<b>65.1</b>	<b>47.8</b>
Connection of new customers	22,546	20,092	-10.9	64.7	47.6
Buyout of electricity objects	113	66	-41.6	0.3	0.2
<b>Investments in maintenance</b>	<b>12,171</b>	<b>22,026</b>	<b>81.0</b>	<b>34.9</b>	<b>52.2</b>
Low voltage electricity grid	9,420	17,694	87.8	27.0	41.9
Medium voltage electricity grid	2,287	3,617	58.2	6.6	8.6
Other investments	464	715	54.1	1.3	1.7
<b>Total</b>	<b>34,830</b>	<b>42,184</b>	<b>21.1</b>	<b>100.0</b>	<b>100.0</b>

During the six months of 2015, LESTO has connected 12,775 new customers, 8.3 % more than in the same period of 2014 when it had 11,801 new customers connected. The permissible power for new customers was equal to 171,256 kW, which is 29.0 % more than in the six months of 2014, when the permissible power was 132,806 kW.

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 Lithuanian Business Support Agency (LBSA). According to this contract, the sum allocated for funding of this Project from the EU Structural Funds amounts to EUR 2.25 million. The total value of the Project to be completed by

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28 August 2015 amounts to EUR 5.57 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 finished prior to July 2015. The current project implementation state is the process of construction examination.

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 the end of July, 2015, modernization and development works on electricity networks were completed in 76 gardeners' partnerships. The sum allocated for funding of this Project from the EU Structural Funds amounts to EUR 2.65 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 36 objects prior to July, 2015. The sum allocated for funding of this Project from the EU Structural Funds amounts to EUR 1.57 million.

In the course of the contract for administration and funding of the Project "Modernization and Development of AB LESTO Electricity Distribution Networks in Gardeners' Partnerships" (17 gardeners' partnerships) 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 16 objects until the end of July, 2015. The sum allocated for funding of this Project from the EU Structural Funds amounts to EUR 1.01 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 7 transformer substations have been completed until June 2015. The sum allocated for funding of this Project from the EU Structural Funds amounts to EUR 2.73 million.

### Financial ratio analysis

The value of LESTO assets at the end of the reporting period made up EUR 832.8 million. Non-current assets share in total assets was equal to 88.0 %. From the beginning of the year till 30 June, 2015, the value of LESTO non-current assets shrank by 2.0 %. Cash with cash equivalents accounted to EUR 15.1 million i.e. 15.1 % of total current assets.

#### LESTO liquidity ratios

	31.12.2014	31.03.2015	30.06.2015
Current liquidity ratio	0.30	0.57	0.62
Acid test ratio	0.29	0.55	0.61
Cash liquidity ratio	0.02	0.01	0.09
Working capital, EUR thousand	-160,178	-93,863	-60,465
Working capital to total assets ratio	-0.20	-0.11	-0.07

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**LESTO financial leverage ratios**

	<b>31.12.2014</b>	<b>31.03.2015</b>	<b>30.06.2015</b>
Total liabilities to total assets ratio	0.52	0.49	0.49
Debt to assets ratio	0.27	0.27	0.26
Total liabilities to equity ratio	1.07	0.95	0.96
Debt to equity ratio	0.56	0.52	0.52
Net financial debt, EUR thousand	217,969	218,352	203,983
Net financial debt to equity ratio	0.55	0.52	0.48
Long-term debt to equity ratio	0.25	0.22	0.35
Equity to total liabilities ratio	0.93	1.05	1.04
Equity to total assets ratio	0.48	0.51	0.51

Equity of LESTO exceeded liabilities 1.04 fold. At the end of reporting period, financial debts made up EUR 219.1 million or 53.8 % of total liabilities. Non-current borrowings were EUR 148.6 million and made up 67.8 % of all borrowings. At the end of reporting period LESTO amounts payable within one year and current liabilities made up EUR 160.5 million. Current liabilities exceeded current assets by EUR 60.5 million. Current liquidity ratio stood at 0.62. Inventories made up only 2.2 % 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 amounted to EUR 204.0 million and consisted only 48.0 % of equity.

**References and additional explanations of disclosures in the annual financial statements**

Other information is presented in LESTO AB consolidated and Company's financial statements: condensed interim financial information for the six-month period ended 30 June 2015 and in LESTO AB company's condensed interim financial statements: company's condensed financial statements for the second quarter of 2015 and the first half of 2015 prepared according to International Accounting Standard 34, „Interim financial reporting“ as adopted by the European Union, presented together with the independent auditor's report.

FACTORS, AFFECTING THE COMPANY'S FINANCIAL RESULTS

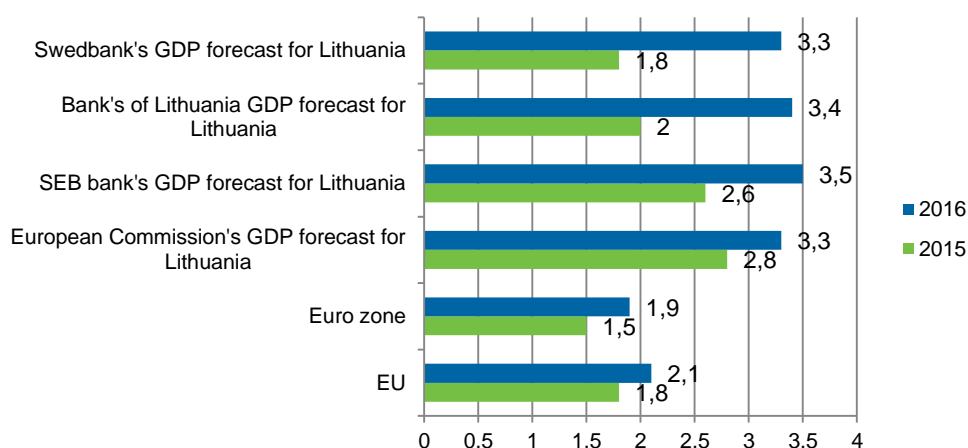
**Business environment**

The European Union's growth prospects for the next period has significantly improved. The European Commission has improved the forecast for 2015 and 2016 in the report published in the beginning of May, 2015. It is forecasted that the European Union's gross domestic product growth will reach 1.8 %, while the euro zone's – 1.5 % in 2015. Meanwhile, in 2016 it is expected the economic growth of 2.1 % and 1.9 % respectively<sup>2</sup>.

The European Commission forecasts that Lithuania's economy will maintain growth of 2.8 % in 2015, despite a fall in exports to Russia. Domestic demand is set to remain the main growth engine, as well as employment and real disposable incomes. The European Commission forecasts that Lithuania's real GDP will grow by 3.3 % in 2016.

Meanwhile, forecasts of economists from Lithuania's banks are more cautious. In late August, Swedbank announced an updated forecast of Lithuania's gross domestic product growth. Swedbank's analysts predict that Lithuania's economic growth will reach 1.8 % in 2015 and 3.3<sup>3</sup> % in 2016. According to April forecasts of SEB banks' analysts it is expected that the growth of Lithuania's gross domestic product will reach 2.6 % in 2015 and 3.5<sup>4</sup> % in 2016. While Bank of Lithuania forecasts that Lithuania's gross domestic product will grow by 2.0 % in 2015 and 3.4<sup>5</sup> % in 2016.

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 and the results of the first half of the year, it is planned that the volume of network service will increase in 2015.

**Situation in electricity market**

During the period from January to June of 2015, the average price of electricity in Nord Pool Spot Exchange Lithuanian trade zone was lower than in the same period last year.

The average price of electricity in Nord Pool Spot Exchange Lithuanian trade zone was 39.78 EUR/MWh in January of 2015 (7 % lower than in January of 2014), in February – 39.44 EUR/MWh (8 % lower than in February of 2014). While during March – June the average price of electricity, comparing with the same period of last year, was even lower. The average price of electricity in Nord Pool Spot Exchange Lithuanian trade zone was 32.22 EUR/MWh in March of 2015 (23 % lower than in March of 2014), in April – 35.61 EUR/MWh (19 % lower than in April of 2014), in May – 37.36 EUR/MWh (27 % lower than in May of 2014) and in June – 42.80 EUR/MWh (22 % lower than in June of 2014).

<sup>2</sup> Data source: European Commission. European Economic Forecast Spring 2015: European Economy 2/2015.

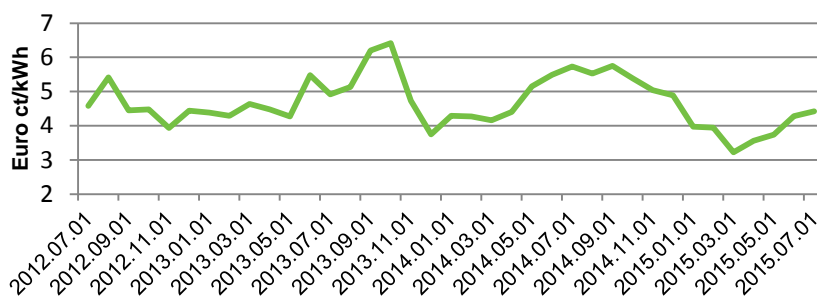
<sup>3</sup> Data source: Swedbank economic review (24 August, 2015)

<sup>4</sup> Data source: Lithuanian Macroeconomic Overview No. 59, April, 2015

<sup>5</sup> Data source: Lietuvos bankas. Economic Outlook for Lithuania, 10 June, 2015.

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The average monthly prices in the electricity market



**Strategy and goals**

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:

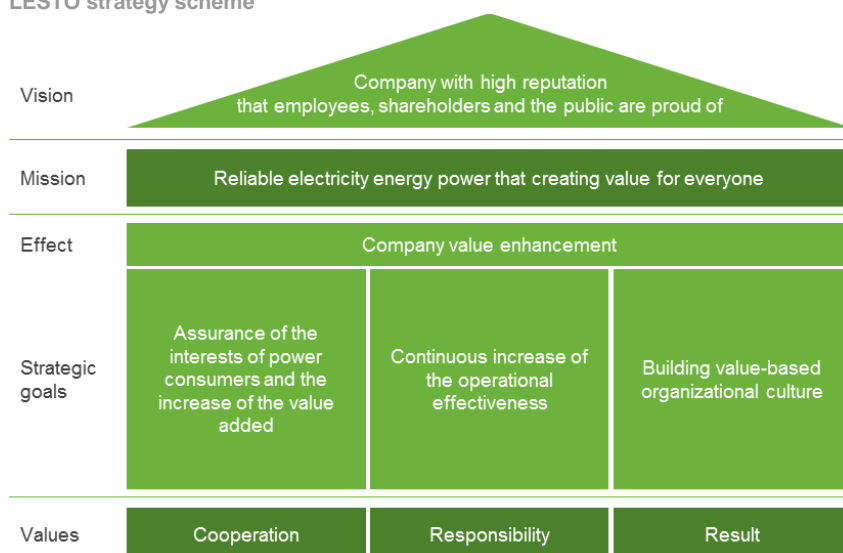
1. Cooperation
2. Responsibility
3. Result

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**



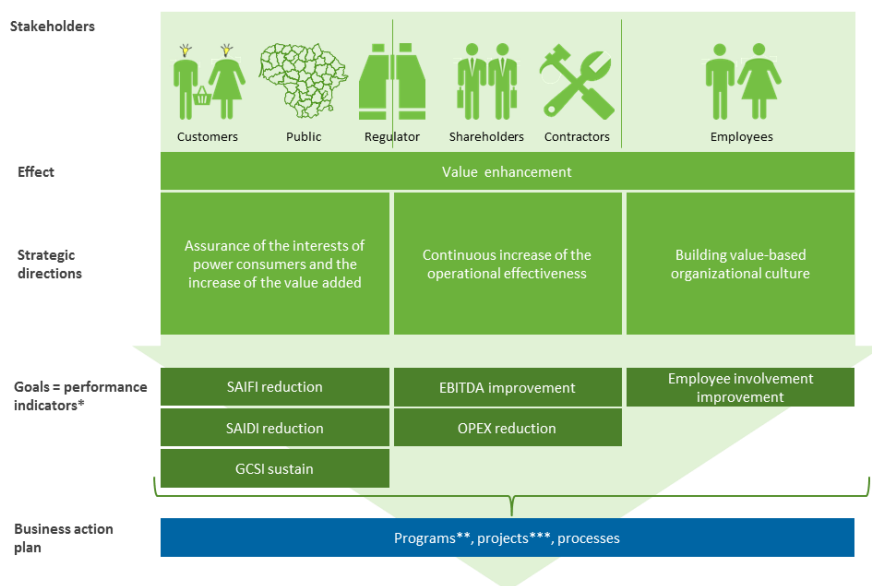
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**Stakeholders**

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	<b>63.8</b>
SAIFI, times	0.95	0.94	<b>0.89</b>
GCSI, score*	76		
Employee involvement, %	43	46	<b>62</b>

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 EUR 1.7 billion into the modernization and renewal of the network by 2025.

The company plans to make the largest investment – 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 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 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 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.

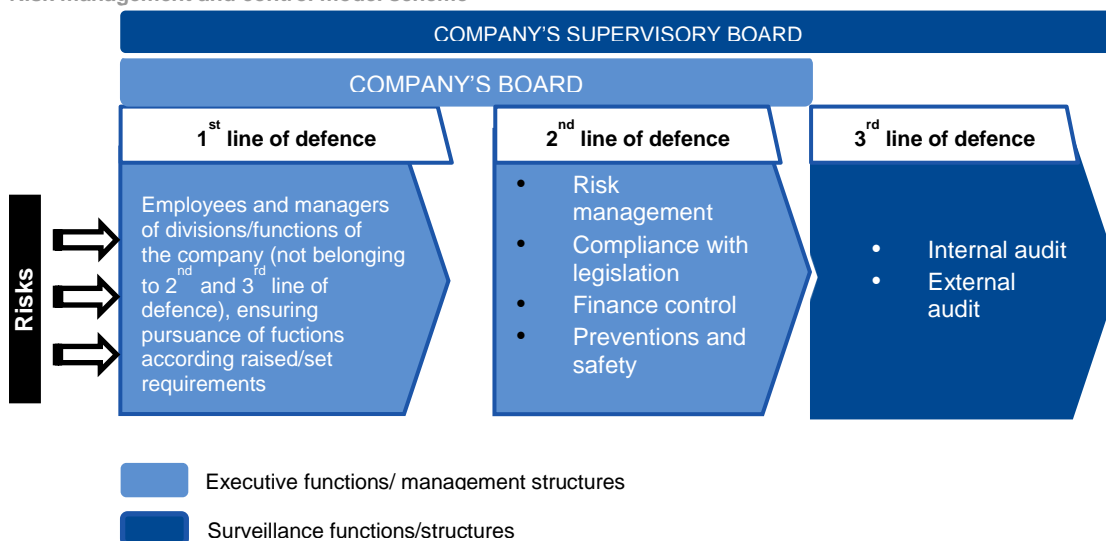
Periodic risk identification and evaluation cycle when activity (process) results residual risk and risk management means intensification runs every year during activity targets planning. During this cycle risks which can have a negative impact on activity targets and results are set. Set risks are evaluated 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

lesto 17



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 Lietuvos energija UAB 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 is accountable to the Supervisory Board of Lietuvos energija UAB and regularly provides information about the risk management and internal control efficiency to the Board of the Company and the Supervisory Board.

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**

Credit risk is risk of losses that clients and (or) other parts will not be able to fulfill their commitments to the Company. The credit risk comprises from terminated and un-terminated funds in banks, investments in debt securities and derivative financial instruments balance value and customers obligation to pay for the used energy.

The Company does not have significant credit risk because a large number of consumers determines a small concentration of credit risk.

The underlying goal of investments is to secure the safety of funds and, in accordance with this objective, to maximize the return on investments. Credit risk arising from the inability of electricity consumers to pay for the electricity in time is managed by the Company's established debt management procedures.

The Company does not guarantee for obligations of other parties.

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.

#### *Interest rate risk*

The Group's and the Company's revenues and cash flows from operating activities are not significantly dependent on interest rates changes in the market. All the Group's borrowings have a variable interest rate linked with EURIBOR index. The Group and the Company manages interest rate risk by using interest rate derivative risk management instruments.

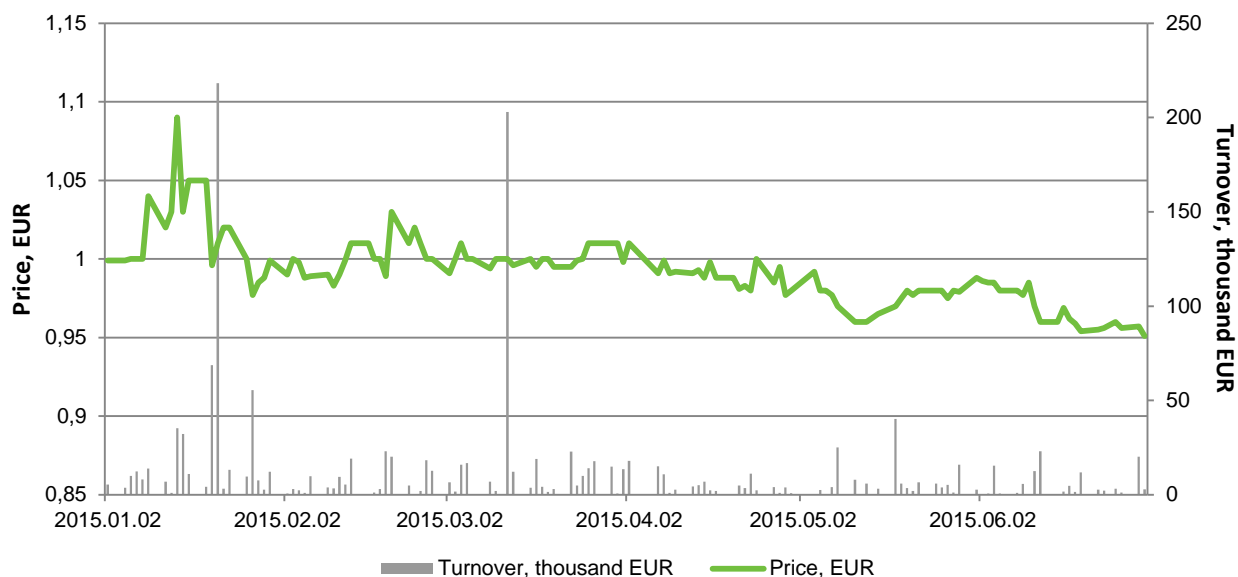
#### *Foreign currency exchange risk*

All the Group's and the Company's monetary assets and liabilities are denominated euro.

INFORMATION ON THE ISSUER'S SECURITIES AND AUTHORISED CAPITAL

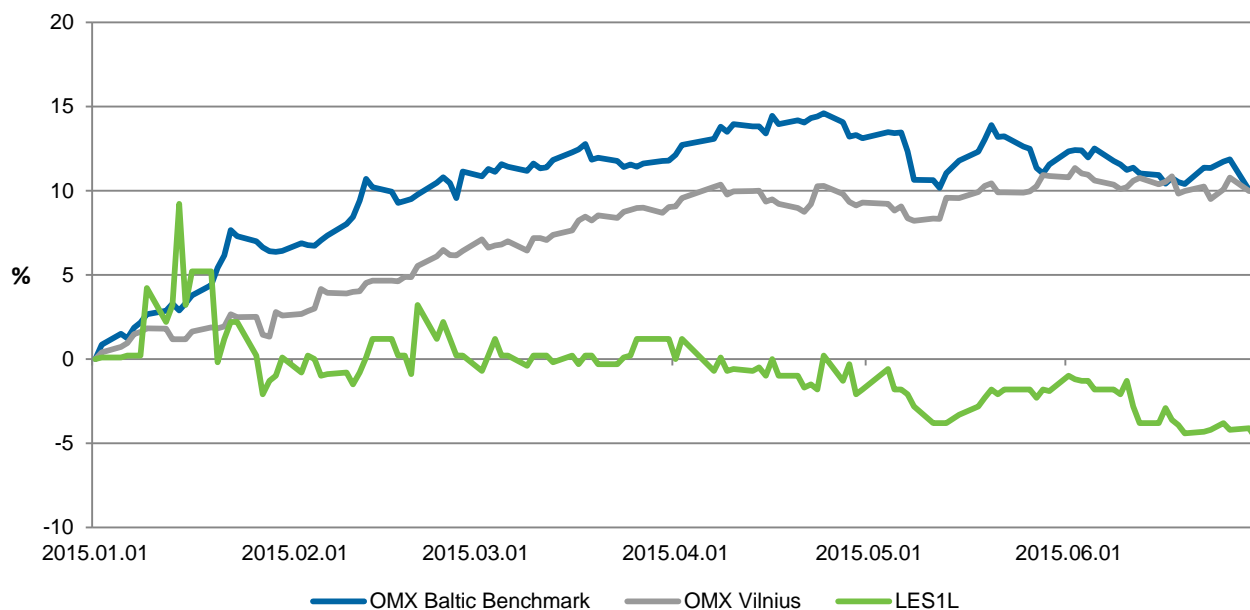
LESTO share price dynamics and turnover

LESTO share price dynamics and turnover, 01-01-2015 - 30-06-2015



LESTO is one of the biggest companies by market capitalization in OMX Baltic securities exchange market. During the six months of 2015 LESTO share price decreased by 4.8 %. The lowest LESTO share price was recorded on 30 June, 2015, the price of LESTO share was EUR 0.951. The highest point (EUR 1.09) during the reporting period was reached on 14 January, 2015. The weighted average price of LESTO share during the reporting period was EUR 0.993.

Dynamics of LESTO share price, OMX Vilnius and OMX Baltic Benchmark indexes, 01-01-2015 - 30-06-2015



Since the beginning of the year until 30 June, 2015, index OMX Vilnius increased by 9.96 %, OMX Baltic Benchmark increased by 10.35 %, while the price of LESTO share decreased by 4.8 % during the six months of 2015.

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### Authorised capital structure

Type of shares	Number of shares	Nominal value, EUR	Total nominal value, EUR	Share in authorized capital, %
Ordinary registered shares	603,944,593	0.29	175,143,931.97	100,00

On December 31, 2014 the Company's share capital amounted to LTL 603,944,593.

On April 27, 2015, the Ordinary General Meeting of Shareholders approved a new version of the Articles of the Association, in which, in addition to other changes, the nominal value of one ordinary registered share and the Company's authorized capital expression of litas was changed into expression of euros, i.e. it was determined that the nominal value of one ordinary registered share amounts to EUR 0.29 and the Company's authorized capital is equal to EUR 175,143,931.97.

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.

**Information on major transactions of associated parties – indicate the value of transactions, the nature of relations among associated parties, and other information on transactions necessary to understand the Company's financial situation, if such transactions are significant or have been concluded in unusual market Conditions**

Information on transactions of associated parties is provided in LESTO AB consolidated and Company's financial statements: condensed interim financial information for the six-month period ended 30 June 2015 (in clause 18).

**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.

### Restrictions on the transfer of securities

No restrictions are imposed on the transfer of LESTO securities.

**AB LESTO GROUP INTERIM REPORT**  
**Report for the six-month period ended 30 June, 2015**

**Subsidiaries**

On June 30, 2015, LESTO had no subsidiaries.

**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 the first half of 2015.

**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 the first half of 2015.

**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 the first half of 2015.

**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, EUR	Industry according to ICB standard	Supersector according to ICB standard
LT0000128449	BALTIC MAIN LIST	LES1L	603,944,593	0.29	7000 Utilities	7500 Utilities

**Shareholders**

On December 31, 2014 the number of LESTO shareholders totalled – 7,065.

On June 30, 2015 the number of LESTO shareholders amounted to 7,090.

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, 30-06-2015**

Country	Number of shareholders
Lithuania	6,892
Russia	49
Belarus	39
Estonia	35
United States	18
Latvia	17
Other countries	40
<b>Total</b>	<b>7,090</b>

**AB LESTO GROUP INTERIM REPORT**  
**Report for the six-month period ended 30 June, 2015**

**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 30 June, 2015**

<b>Full names of the shareholders (names of companies, types, headquarter addresses, company register code)</b>	<b>Number of ordinary registered shares</b>	<b>Share of authorized capital, %</b>	<b>Votes granted by shares owned, %</b>
Lietuvos energija, UAB Žvejų str.14, Vilnius, company reg. No. 301844044	570,066,682	94.39	94.39

**Dividends**

On 30 September, 2014, the Extraordinary General Meeting of Shareholders made a decision to pay out dividends for the period shorter than financial year. The Company's distributable profit for the six months period ended on 30 June, 2014 was EUR 19.2 million. Dividends for the six months period ended on 30 June, 2014, per share amounted to EUR 0.03.

On 27 April, 2015, the Ordinary General Meeting of Shareholders made a decision to pay out dividends for the period from 1 July to 31 December, 2014. The Company's distributable profit was EUR 12.1 million. Dividends for the period from 1 July to 31 December, 2014, per share amounted to EUR 0.02.

**LESTO securities account manager**

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

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## CUSTOMER SERVICE, SERVICE ASSESSMENT

### The Number of the Customers Served

On 30 June, 2015, LESTO had 1.570 million contracts with private clients and 67.0 thousand contracts with business clients (on 30 June, 2014, LESTO had 1.555 million contracts with private clients and 64.8 thousand contracts with business clients).

### Service Channel Development

During the six months of 2015, the number of clients using remote service channels (self-service website [www.manoelektra.lt](http://www.manoelektra.lt) and customer service 1802) continued to grow, while the flow of electrical energy users seeking help at LESTO customer service centres in smaller cities has decreased. At the beginning of 2015, self-service website was adjusted to display electricity tariffs (prices) and payable amounts in euros.

On 30 June, 2015, there were 600 thousand of registered users in the self service website [www.manoelektra.lt](http://www.manoelektra.lt), out of which 536 thousand were domestic users. During the six months of 2015, the number of website [www.manoelektra.lt](http://www.manoelektra.lt) visits, comparing to the same period in 2014, rose from 1.360 to 1.933 million.

During the six months of 2015, more than 517 thousand clients received information via the short client service telephone 1802 (during relevant period of the year 2014, 490 thousand clients were served), more than 228 thousand requests of clients on various questions were received and solved (during relevant period of 2014, 212 thousand requests of clients were received and solved).

During the six months of 2015, more than 123,828 clients were assisted by Customer Service Centres located in the seven largest Lithuanian cities (in the same period of 2014, 147,591 clients were assisted).

### Maintenance and Development of Accounting for Electricity

During the six months of 2015, LESTO replaced 49,162 pieces of metrologically outdated electricity metering devices. 81 % of them were used for electric energy metering in the single-phase alternating current systems and 19 % in the three-phase systems. LESTO mounted 10,273 pieces of electricity metering devices for new clients. 29 % of them were intended for recording power in the single-phase alternating current systems and 71 % in the three-phase systems.

LESTO and its authorised persons are constantly working on maintaining electricity metering devices that are in use and provided maintenance services in 631 thousand cases, including electricity meter inspection, removal of any deficiencies and display function control checks.

By investing in modernisation and automation of electricity metering devices the Company connected 971 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 26,081 units. Automation of power account equipment provides the possibility to automatically invoice clients for the amount of electricity consumed per period instead of clients having to declare the amount they consumed.

In order to test out the smart-meter efficiency and benefits, the Company has declared an international smart-meter procurement competition in May 2015. The winning contractor will install 3 thousands of smart-meters which will help to use electricity in a more efficient way and will decrease household expenses. Typical electricity consumers are chosen for the test, so the smart-meters will be installed in all types of houses during the experiment, both new and old, apartment or personal houses. After the smart-meters will be installed, users will be able to review their data in the self-service [www.manoelektra.lt](http://www.manoelektra.lt) webpage, knowing when and how much of energy they have consumed. During the pilot project, LESTO will also receive more adequate and accurate data regarding the electricity grid, which will help it to detect and fix grid failures faster.



### **Customer Settlement Management**

LESTO clients are provided with a possibility to pay for electricity consumed according to the general average electricity consumption amount. Payments based on the average amount of electricity used helps to spread out expenses more evenly, without any seasonal fluctuations and used electricity price changes. This options helps to negate the above mentioned factors, since clients pay a monthly electricity fee which is the same all year long. Apart from that, clients that have separate objects have the option to pay for electricity, consumed in several separate homes (there is an option to receive a single bill for all consumed electricity). Customers' monthly electricity charges are calculated according to the previous average consumption (in Kilowatt hours), which is then adjusted by the client declared data or according to periodic electricity meter provided data. Users can check the average payment applied to them by logging into the self-service website "Mano elektra", which is periodically updated, calling the Customer Service Centre or upon their arrival at one of LESTO Customer Service Centres. Approximately 17 % of all LESTO clients pay according to received VAT invoices. During the six months of 2015, the amount of payments for consumed electrical energy, according to VAT invoices, has increased by 13 %, comparing with the same period of 2014.

Clients who have chosen to be billed according to the average consumption rate additionally choose direct debit payment way, when the payment for consumed electricity is automatically paid from the client's bank account. 13 % of LESTO clients have signed direct debit agreements.

### **Market liberalization**

On 30 June, 2015, independent suppliers delivered electricity to 61,391 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 30 June 2015, independent electricity supplier was chosen by the following:

About 96 % of objects with permissible power of 400 kW and more;

About 87 % of objects with permissible power of 100 kW and more;

About 75 % of objects with permissible power of 30 kW and more;

About 59 % of objects with permissible power less than 30 kW;

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

## SOCIAL RESPONSIBILITY

LESTO implements its responsibilities of being involved in creating social benefits primarily through the constant and uninterrupted electricity supply and distribution activities. It also actively participates in civic education on the issues of rational electricity consumption questions.

### Environmental Projects

**Electric vehicle charging station.** In July 2014, LESTO with its partners Nissan and NT Valdys opened the first electric vehicle charging station in Lithuania, located at J.Lelevelio St. in Vilnius. The station serves a constant stream of customers and each month 1,000 kwh of energy is charged through its facilities. It goes without saying that currently electric cars are not used very often, even in the biggest city in Lithuania. However, the first step was taken towards the development of electric vehicle infrastructure. At present, the largest independent Lithuanian capital electricity supplier Energijos tiekimas supplies the station with electricity free of charge. In spring 2015, LESTO operated electrical vehicle has participated in the first electric car race in Lithuania – it was piloted by a team of the Company's employees, chosen in a competition. The crew has received attention from both the media and the public – they were interested by this type of ecological transportation vehicles.

**DAROM 2015.** LESTO employees have participated in the “Darom 2015” initiative and had collected garbage that was polluting the nature in Vilnius, Kaunas and Panevezys regions.

**Landscape protection.** Under the implementation of the EU co-financed project, LESTO is replacing the old electricity overhead lines with new cables in regions, where overhead lines' wires became too thin, came dangerously close to green areas or worn-out infrastructure caused many malfunctions. Cable lines are safer, ensure reliable electricity supply and preserve the beauty of the landscape.

### Public initiatives

LESTO implements a wide range long-term social responsibility projects aimed at children, youth and the general public united by active communities, target group participation, safe and effective use of energy and environment protection.

**Project Competition for Local Authorities and Communities.** Together with the Association of Local Authorities Heads of Lithuania, LESTO invited local authorities and their communities to submit applications for the competition of projects on the increase of safety near devices of the electric network and public responsibility. Communities were to suggest plans to solve the problems related to safe and sustainable use of electricity and involve as many residents into the project as possible. Projects aimed at encouraging education and raising the sense of public responsibility among locals, especially among youth, were particularly desirable. This year 30 applications were received from local authorities and communities. The representatives of LESTO, the Association of Local Authorities Heads of Lithuania, associations of Lithuanian municipalities and VšĮ Rūpi evaluated the submitted applications. 7 educational and practical projects were announced as winners. During the six months of 2015, all of the events, planned according to these projects, have been executed. Communities were educated of safe use of electrical equipment or being safe around such equipment via interactive seminars, quizzes, competitions and other activities.

**Loss reduction and educational initiative „Operation 2020“.** “Operation 2020” programme aims to encourage responsible behaviour with electricity network equipment, increase public awareness on the safe handling of electric devices and reduce negative consequences resulting from irresponsible and malicious behaviour of local residents.

During the six months of 2015, thieves have caused more than EUR 518 thousand in damages. 13 pre-trial investigations have been started regarding electrical energy theft. 3 persons were detained on suspicion of oil theft from transformer substation in Trakai district. 2 cases were investigated with the help of local residents.

LESTO continues active cooperation with the Association of Local Authorities Heads of Lithuania, since significant support in combating theft comes from the members of local public. Almost half of all reported theft cases are solved when initially reported by local residents.

**National Education Programme “Sustainable School”.** In order to raise the awareness among school communities and contribute to the development of sustainable, energy-efficient and environmentally friendly Lithuanian society, LESTO and Lithuanian Youth Centre together with their partners invited Lithuanian educational institutions to participate in a yearlong educational programme “Sustainable School”. Seventy participants from educational institutions carried out the first task – an ecological footprint study, while throughout the year a total of 17 schools were implementing and monitoring changes aimed at reducing our ecological footprint. The final event was held in the beginning of the second quarter of 2015, where the commission (including a LESTO representative) chose and awarded the most creative and efficient participants.

**"As much as needed" project enhancing electricity efficiency.** Promotion of sustainable energy use is one of the underlying trends strengthening LESTO's sense of social responsibility, which contributes to environmental and energy resource conservation and Lithuania's obligation to implement the European Climate Change Programme. The project strives to develop sustainable living traditions within Lithuanian society through searching for ways to improve sustainable use of electricity in both daily life and business.

**Modern street lighting project.** LESTO, together with Birštonas municipality and Italian lighting company “Enel Sole”, begun a pilot LED technology public street lighting project „As much as the city needs“ in Birštonas. During the course of this project, 14 usual street lamps were changed with LED technology lamps. The results of the year long project, with 14 LED street lamps installed in one of Birštonas streets, were presented during a press conference held in April. LED street lamps have used a total of 7,601 kWh of electrical energy, whereas the other 14 usual sodium lamps on the other side of the street have consumed 13,324 kWh of energy during the same period of time.

**Energetics day events for the public.** The National Lithuanian electricity association, which LESTO is a part of, have commemorated the energetics day by a celebration held on April 17 to 18. All were welcome to commemorate this day in the Lithuanian energy and technology museum. This museum has welcomed the public with open doors and free education on the country's energy history, it also hosted an orientation-detective game, presented a photo exhibition of the group's company workers named “Daily life and adventures at work”. The performance named “The love of horse Dominic” was shown to the little visitors, while all visitors were also entertained by a cello trio from Latvia.

#### Market, customers and investors

LESTO seeks to maintain transparent relations with all of the market participants in its business environment – clients, partners, contractors and investors alike. LESTO takes care of energy supply safety as well as economic and social benefit for the society and a lot of attention is directed at the distribution network expansion and modernization. An important aspect in the environmental protection area is creating conditions to save energy and use it more rationally.

**Cooperation with Lithuanian libraries.** In March 2015, LESTO and Lithuanian national Martynas Mazvydas library have signed a cooperation agreement in implementing a social project named “Innovations at libraries 2”. This project will help to develop general educational needs of the public in the Lithuanian national Martynas Mazvydas and other public libraries and will ensure further development of LESTO self-service webpage [www.manoelektra.lt](http://www.manoelektra.lt). The aim of the project “Innovations at libraries 2” is to develop the public library cooperation with businesses, local state authorities and non-governmental organisations, and thus empower the library network in Lithuania. Currently LESTO self-service [www.manoelektra.lt](http://www.manoelektra.lt) user places are installed and library employees are trained in 20 public libraries in Lithuania. LESTO webpage [www.manoelektra.lt](http://www.manoelektra.lt) services can be used in Anykščiai, Ingalina, Jonava, Joniškis, Kaišiadorys, Kelmė, Kretinga, Kupiškis, Lazdijai, Pasvalys, Rokiškis, Skuodas, Šakiai, Šalčininkai, Šilutė, Švenčionys, Telšiai, Ukmergė, Varėna and Visaginas. It is planned that in 2015, electricity consumers will have the possibility to use the self-service webpage in other public libraries. LESTO plans to equip 15 libraries with rational and safety electricity usage devices in 2015.

**Interactive map for investors.** In spring 2015 LESTO has placed an interactive available power map on its webpage, this map will help investors to see available outage from all of the Lithuanian power supply transformer substation. This web map has been used by 1,317 unique visitors in less than a month. The average time spent on this part of the webpage is more than 3 minutes. This shows that the tool is useful and relevant for our clients.

## Employees

**Employee inclusion promotion.** The socially responsible initiatives that have been proposed by employees in the beginning of 2015 were executed and have caused public interest: employees were acting as active lecturers delivering knowledge regarding efficient energy use, they participated in community and schoolchildren events. During the first half of the year, LESTO employees have taught small lessons and lectures for almost 150 children and adults.

LESTO employees are informed and included in planned changes – the group companies' merge. Information regarding the changes is being constantly spread out, employees participate in choosing the name of the new company and conditions are created for them to actively ask questions regarding the changes in the management team.

**LESTO representatives amongst the best “Lietuvos energija” company group employees.** During the energetics day solemn ceremony energy workers were saluted. LESTO is proud to state that 6 of its employees were that amongst those, who were awarded with the Energy worker's Medal of Honor, received gratitude from the Lithuanian Minister of Energy and Lithuanian Vice-President and who received the annual best worker's awards.

**Accident at work prevention.** In addition to ongoing organizational measures to prevent accidents, the Company uses efficient communication: the Company's intranet contains regularly publicized information regarding accidents in Company and contractor workplaces with reasons being presented and social safety measures advertising present at all times.

**LESTO employees have earned the title of the most professional electrical energy workers.** In May 2015, the Republic energy worker's education center hosted a competition where energy workers competed in professional excellence. After the competitors have overcome the challenges and the results were calculated, the first place and the title of the most professional energy workers was received by the LESTO Šiauliai region team, the second place was taken by LESTO Kaunas region team and the third place taken by LESTO Vilnius region team. This year, this competition involved 11 teams and more than 100 participants.

The aim of this event is to promote LESTO and contractor team members to increase their qualification and practical skills. The other aim is to increase LESTO contractors' and staff safety in hazardous situations: for example, in the event of a fire or a malfunction emergency.

## Fighting corruption

LESTO does not tolerate any manifestations of corruption and is in favor of fair business and transparency in communications with state authorities. It minimizes the risk of operating with the help of complex internal control mechanisms, aimed at determining possible corruption risk factors. Corruption prevention is one of the Company's prevention and control department function. LESTO constantly executes its activities' control and perfects its activity process, as well as takes action to correct detected violations and eliminating threats to the Company's good name.

## Reporting to the public

**LESTO has announced its 2014 social responsibility progress report.** LESTO, a member of the Global compact, has announced its annual social responsibility activity progress report. In 2014, LESTO has expanded its cooperation with industrial and production companies, started a partnership with state libraries and executed practical and long term energy preservation activities, such as the calculation and reducing of the ecological footprint in school communities.

**Population electricity use habits research results have been presented.** LESTO has ordered the research company “Baltijos tyrimai” to survey the population regarding its energy consumption habits. They have revealed that the part of people who actively save energy has remained quite big – 75%, but comparing to the last research that was made two years ago, the number of people who save energy because of economic reasons has reduced by one fifth. People save energy more often because of their habits and care for the environment, these reasons were indicated by 15% of questioned residents. The number of people who use energy saving light bulbs and buy power saving home appliances has increased by 7%.

COMPANY AND ITS MANAGEMENT BODIES

Company's organizational structure

<b>Company name</b>	AB LESTO
<b>Company code</b>	302577612
<b>Authorised capital</b>	EUR 175,143,931.97
<b>Registered address</b>	Aguonų str. 26, LT-03212 Vilnius
<b>Telephone</b>	+370 5 277 7524
<b>Fax</b>	+370 5 277 7514
<b>E-mail</b>	info@lesto.lt
<b>Website</b>	www.lesto.lt
<b>Legal- organisational form</b>	Joint-stock company
<b>Date and place of registration</b>	27 December 2011, Register of Legal Entities of the Republic of Lithuania
<b>Register in which data on the company is collected and stored</b>	Register of Legal Entities
<b>Register manager</b>	State Enterprise Centre of Registers

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 associated companies Technologijų ir inovacijų centras UAB and Verslo aptarnavimo centras UAB, make up LESTO company group.



← Associated company

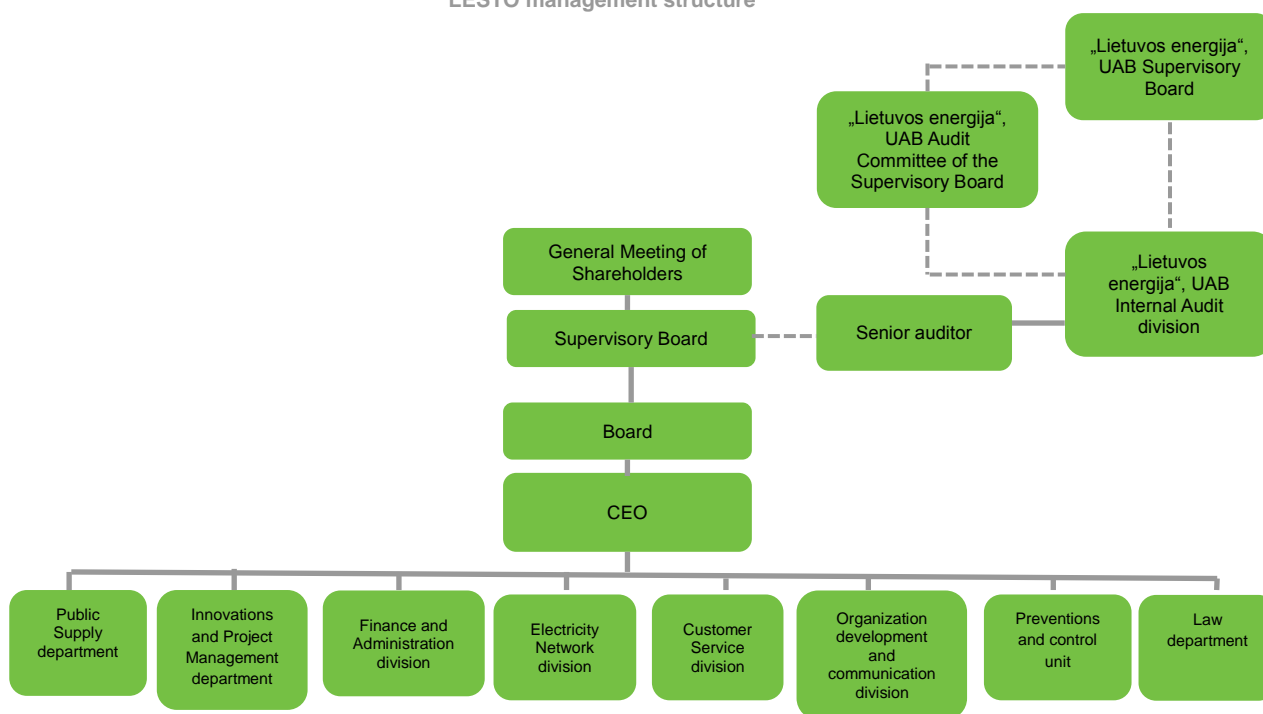
#### Key data on subsidiaries and associated companies

	Elektros tinklo paslaugos UAB *	NT Valdos 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	<a href="mailto:etp@etpa.lt">etp@etpa.lt</a>	<a href="mailto:info@valdos.eu">info@valdos.eu</a>	<a href="mailto:info@etic.lt">info@etic.lt</a>	<a href="mailto:vac@le.lt">vac@le.lt</a>
Website	<a href="http://www.elektrostinklopaslaugos.lt">www.elektrostinklopaslaugos.lt</a>	<a href="http://www.valdos.eu">www.valdos.eu</a>	<a href="http://www.etic.lt">www.etic.lt</a>	<a href="http://vac.le.lt">http://vac.le.lt</a>
LESTO ownership, %, on 1 January, 2015	100	57.30	20.02	15
LESTO ownership, %, on 30 June, 2015	0	0	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.

\* Following the decision of the Board of LESTO, LESTO and "Lietuvos energija", UAB (legal entity code 301844044) concluded a Share purchase – sale Agreement on 31 March 2015. Under the Share purchase – sale Agreement, LESTO transferred shares of UAB "ELEKTROS TINKLO PASLAUGOS" owned by LESTO and equal to 100 percent of authorised capital of UAB "ELEKTROS TINKLO PASLAUGOS" to "Lietuvos energija", UAB.

\*\* Following the decision of the Board of LESTO, LESTO and "Lietuvos energija", UAB concluded a Share purchase – sale Agreement on 27 April 2015. Under the Share purchase – sale Agreement, LESTO transferred shares of NT Valdos, UAB owned by LESTO and equal to 57.30 percent of authorized capital of NT Valdos, UAB to "Lietuvos energija", UAB.

LESTO management structure



## LESTO management

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

### General Meeting of Shareholders

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

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

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

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

Two General Meetings of Shareholders took place during the six months of 2015. CEO and chairman of the Board 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 Ordinary General Meeting of Shareholders which took place on 27 April, 2015 and in the Extraordinary General Meeting of Shareholders which took place on 29 May, 2015.

### 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

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Supervisory Board out of its members.

There were no changes in the composition of the Supervisory Board in 2015. 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.

During the six months of 2015 five meetings of the Supervisory Board took place which were attended by all the members of the Supervisory Board.



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

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



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

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



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

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

Education					
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		UAB „Lietuvos energija“, Director of Organizational Development		Lithuanian centre of Exhibition and Congress LITEXPO, chairman of the Board	
Information on payments* to LESTO Supervisory Board members during the six months of 2015, EUR					
-		-		608	
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	-	„Lietuvos energija“, UAB, member of the Board, Director of Organizational Development	-	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. Šiaulienė	-
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 Articles of Association indicates: „Agreements with members of the Supervisory Board can be signed for factual work in the Supervisory Board; rights, duties and responsibilities are set out in such agreements. Independent members of the Board can get remuneration for their work in the Supervisory Board by the decision of the General Meeting of Shareholders. The terms of the Supervisory Board members' agreements and the criteria of independence are determined by the General Meeting of Shareholders in accordance with requirements of legal acts and good corporate governance practices“. On 2 August, 2013 the agreements of the Supervisory Board member's factual work were signed with Darius Kašauskas and Ilona Daugėlaitė. On 30 September, 2013 the agreement of the Supervisory Board independent member's factual work was signed with Petras Povilas Čėsna.

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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 during the six months of 2015.

### 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 included 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.

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.

On 1 January, 2015 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. On 25 February, 2015, the Supervisory board of LESTO decided to recall Dalia Andrulionienė from the Board of LESTO from February 27, 2015.

On the report signature date the Board of the Company consists of the chairman of the Board Aidas Ignatavičius and the

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Board members: Virgilijus Žukauskas, Andrius Bendikas and Sergejus Ignatjevas. Ending of term of the Board is 17 September, 2017.

During the reporting period 15 meetings of the Board took place which were attended by all the members of the Board.



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

**In the position of Chairman:**  
Since 17 September, 2013  
**Ending of term:**  
17 September, 2017  
**In the position of CEO:**  
Since 23 September, 2013



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

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



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

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



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

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

Education					
Vilnius university, Master in Business Administration and Management	Baltic Management Institute (BMI), Master in Business Administration	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 Electricity Network division-vice CEO	LESTO, Director of Customer Service division		
Information on payments* to LESTO Board members during the six months of 2015**, EUR					
8,689	5,213	5,213	5,213		
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	-	LESTO, member of the Board, Director of Customer Service division	-
Support fund of Lietuvos energija, member of the Board	-			Pylimo str. 36 Association of the First block of flats owners, chairman	-
National Lithuanian Association of electricity, council member	-				

\* During the reporting period EUR 1,738 was counted for Dalia Andrulionienė, who was recalled from the Board of LESTO from February 27, 2015.

\*\* LESTO Articles of Association indicates: „Agreements with members of the Board can be signed for factual work in the Board before taking up the position; rights (including the right to get remuneration for the work in the Board, if there is a decision to remunerate), duties and responsibilities are set out in such agreements. The Supervisory Board determines the conditions of agreements with the members of the Board“. On 17 September, 2013 the agreements of the Board members' factual work were signed with Andrius Bendikas, Sergejus Ignatjevas, Virgilijus Žukauskas and Dalia Andrulionienė. On 17 September, 2013 the agreement of the Board chairman's factual work was signed with Aidas Ignatavičius. LESTO has not transferred any assets to members of management bodies. There were no loans, guarantees and sponsorship granted to the management bodies by the Company during the six months of 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 over reporting period\*

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	<b>Salaries, EUR</b>
CEO Aidas Ignatavičius	30,870

\* 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 during the six months of 2015.

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	-	-

**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 2015, the Internal Audit Department was centralised and moved to Lietuvos energija UAB. As a result, its total number of employees decreased by three. Services and Debt Management Department was dissolved within the Customer Service Division, which led to Director General directly assuming the debt management function while services development responsibilities were transferred to the Customer Services Management Department. Information technology and communication department moved to the Finance and Administration Division. All these changes did not affect the total number of employees.

During the second quarter of 2015, the personnel administration function was centralized and transferred to Verslo administravimo centras UAB and the general number of working places in the Company has decreased by 5. Since the 1 June, the Client service department, Electricity calculations management department, Electricity use data and costs management departments had their working places redeployed, since 2 new Electricity calculation control groups have been created. This did not affect the general number of working places.

At the beginning of 2015 2,229 of employees were working in the Company. During the six months of 2015 the total number of LESTO employees decreased by 24 or 1.1 %, and it was equal to 2,205 by the end of June, 2015.

### LESTO employees by categories

	<b>Number of employees</b>
	<b>30 06 2015</b>
CEO	1
Top-level managers	5
Mid-level managers	144
Experts, specialist, workers	2,055
<b>Total</b>	<b>2,205</b>

The structure of the Company's employees by their education was as follows: 57.7 % of the employees had higher education, 31.6 % had post-secondary education, and 10.7 % had secondary or specialized-secondary education.

### Remuneration system

Remuneration policy introduced by LESTO and its implementation put the Company alongside the most progressive companies of the country, which remunerate their employees for the work performed according to the results achieved and value created for the organisation and the team. The remuneration system was developed on the basis of "Hay Group" methodology ensuring objective evaluation of an employee's post according to a range of factors including required education, complexity of problems and responsibility level of a specific post. This system supports efficient management of the Company's expenses and ensures that strategic goals and business management logic 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 a variable part of the salary paid for the achievement of set performance results and other premiums (for overtime, night work, etc.) paid according the collective agreement and other internal legal acts. Non-financial rewards are an indirect form of remuneration of employees, which the Company uses to reward its staff's efforts, encourage their involvement and loyalty, promote employees' welfare and enrich activities of the Company. This comes in the form of Company events, greetings on special occasions, recognition and evaluation through awarding employees, who achieved especially good performance results, health promotion and employee development and training. Emotional rewards are difficult to measure, but have great importance to the involvement of employees in the Company's operations, a factor that includes the Company's reputation, organisational culture, values and career options provided. By getting involved in various internal communication programs employees gain an opportunity to share their ideas, ask questions and get acquainted with colleagues with the support of an internal website.

### Average wages of LESTO employees

	Average gross wage, EUR
	2015 January - June
CEO	5,145
Top-level managers	4,793
Mid-level managers	1,921
Experts, specialist, workers	942
Total	1,019

### Collective agreement

On 7 March 2014, a new collective agreement was approved at the staff conference of electricity distribution network operator LESTO, which ensures higher level of protection for LESTO employees and more additional benefits not currently 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 laws or other legislative acts. Employees receive additional benefits (payments in the event of an accident, illness or 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).

Since 1 January, 2015, after the introduction of the euro, on 29 January an agreement due to Collective Agreement replacement of 7 March, 2014 was signed.

### 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.

On 8 April, 2015 a meeting has been held with the professional union representatives, where they were presented with the current year Salary review principles for discussion.

### Training

LESTO organises different types of training for the Company's employees. The Company invests in training of its employees in order to ensure efficient and high-quality maintenance of power distribution network, effective customer service and occupational safety. During the six months of 2015, mandatory professional skill increase trainings were visited by 447 participants; all of them have received certificates allowing them access to special types of work. Employees have participated in emergency diesel electric station operator, high-altitude worker, isolation, resistance, various types of earthing resistance measurement, logging operations manager, first aid and hygiene skills and various other trainings.

During the six months of 2015, a total of 772 employees participated in general training sessions aiming to improve their general competencies. Such trainings are organised for groups formed within the Company as well as for individual employees, who are sent to seminars and conferences organised by external suppliers (in Lithuania and abroad). The Company pays considerable attention to the development of leadership competences of its top management and therefore launched a long-term management programme, in which some of the Company's employees participate. This year the studies of 13 LESTO employees in Lithuanian higher education institutions were partially or fully funded by the Company.

The Company seeks to engage skilled and knowledgeable staff in competency development programmes, so to enable them to share their specific knowledge and skills with others. 3,793 participants attended internal training courses in the six months of 2015, which were led by LESTO internal lecturers. The company also constantly cooperates with producers, equipment manufacturers who freely share their knowledge with the electrical grid and electricity accounting group employees, by presenting market tendencies and new things in the area of energy. Such trainings were participated by 101 participants during the six months of 2015.

In order to ensure the quality of organised trainings, training programmes are prepared in cooperation with training suppliers. Also, 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. During the first six months of 2015, LESTO facilitated internships for 75 students across Lithuania. The Company not only offered internship places for students, who must do an internship as a part of their degree, but also looked for and selected motivated and enthusiastic students giving them an opportunity to do an internship with the Company on a voluntary basis. Given the demand for new employees, the Company remembers the most enthusiastic interns and invites the best ones to join LESTO team, this happened 5 times during the six months of 2015.

### 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:

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- monitor the identification, assessment and management of risks relevant for the accomplishment of goals of „Lietuvos energija“, UAB and its 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 „Lietuvos energija“, UAB and its 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 „Lietuvos energija“, UAB and its 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 „Lietuvos energija“, UAB and its Group companies;
- monitor the compliance of the policy of remunerations and bonuses of „Lietuvos energija“, UAB and its 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 „Lietuvos energija“, UAB and its Group companies of the respective financial year;
- assess the terms and conditions of agreements of „Lietuvos energija“, UAB and its 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 „Lietuvos energija“, UAB and its 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 „Lietuvos energija“, UAB and its Group companies;

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- supervise how members of management bodies and employees of „Lietuvos energija“, UAB and its 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 „Lietuvos energija“, UAB and its 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

**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](http://www.lesto.lt) and the website of NASDAQ OMX Vilnius AB at [www.nasdaqomxbaltic.com](http://www.nasdaqomxbaltic.com).

LESTO essential events from 2015-01-01:

Date	Essential event
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
27-02-2015	LESTO group unaudited financial results 2014: due to increased operational efficiency EBITDA up by 1.5% to LTL 468 million
03-03-2015	Regarding a planned merger of LESTO AB and Lietuvos Dujos AB
10-03-2015	Regarding the initiated legal proceedings by LESTO AB
31-03-2015	Regarding the Transfer of Shares of UAB “ELEKTROS TINKLO PASLAUGOS”
03-04-2015	Regarding of the Ordinary General Meeting of Shareholders of LESTO AB
15-04-2015	Due to public procurement of a long-term loan
24-04-2015	Regarding the intention to sign long-term loan agreement
27-04-2015	Decisions adopted in Ordinary General Meeting of Shareholders of LESTO AB on 27 April 2015
27-04-2015	Shareholders approved LESTO group’s audited financial results 2014
27-04-2015	Regarding the Transfer of Shares of NT Valdos, UAB
04-05-2015	Regarding of the Extraordinary General Meeting of Shareholders of LESTO AB



**AB LESTO GROUP INTERIM REPORT**  
**Report for the six-month period ended 30 June, 2015**

15-05-2015	Preliminary unaudited 1Q 2015 LESTO AB results: net profit increased more than twice to EUR 27.6 million
15-05-2015	Due to long-term loan agreement
29-05-2015	Decisions adopted in Extraordinary General Meeting of Shareholders of LESTO AB on 29 May 2015
29-05-2015	LESTO group Q1 2015 results: record investments and better client service
04-06-2015	Regarding the decision by National Control Commission for Prices and Energy
04-06-2015	CEO of Lietuvos Energija, UAB, made a presentation at the event “CEO Meets Investors”
08-06-2015	Regarding of the Extraordinary General Meeting of Shareholders of LESTO AB
12-06-2015	LESTO AB published 2014 CSR activities report
01-07-2015	The Extraordinary General Meeting of Shareholders of LESTO AB adopted a decision on the election of the audit company
10-07-2015	Regarding the initiated legal proceedings by LESTO AB
28-07-2015	Regarding candidates nominated to the Board of a new electricity and gas distribution company which will continue in operation after reorganisation of AB LESTO and AB Lietuvos dujos
14-08-2015	Preliminary unaudited LESTO AB results for six months of 2015: EBITDA increased by 2 % to EUR 71 million

**Essential events after the reporting period**

On 10 of July, 2015 Vilnius Regional Administrative Court accepted LESTO complaint regarding the dismissal of National Commission's for Energy Control and Prices decision of 4 June 2015 No. O3-351 regarding LESTO AB breaches of the regulated activities. The decision mentioned above is based on the Commission's decision of 19 December 2014 No. O3-947 regarding the cost inspection report of Company. The Company disagrees with the cost inspection report of the Commission and has applied to the court for the annulment of the report.

At the meeting of 28 July 2015 the Supervisory Board of „Lietuvos energija“, UAB approved the nominations of Aidas Ignatavičius (the Chairman of the Board and the General Manager), Dalia Andrulionienė (area – services), Eglė Čiužaitė (area – finance), Rytis Borkys (area –development of network) and Dalius Svetulevičius (area – operation of networks) to the to the Board of the new electricity and gas distribution company which will continue in operation after the pending reorganisation of LESTO and AB Lietuvos dujos.



Lietuvos bankas  
Žirmūnų street 151,  
LT-09128 Vilnius

31-08-2015

Nr. 30200

## CONFIRMATION OF RESPONSIBLE PERSONS

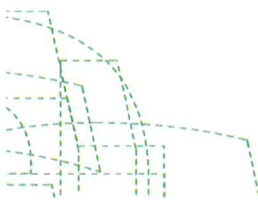
Following Article 22 of the Law on Securities of the Republic of Lithuania and the Rules on Preparation and Submission of Periodic and Additional Information of the Bank of Lithuania, we, Aidas Ignatavičius, Chief Executive Officer of LESTO AB, and, Andrius Bendikas, director of Finance and Administration division of LESTO AB, hereby do confirm that, to the best of our knowledge, audited LESTO AB company and consolidated unaudited LESTO AB group financial statements of the six months of the year 2015 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and give a true and fair view of the assets, liabilities, financial position, profit or loss and cash flow of LESTO AB and its consolidated enterprises.

Chief Executive Officer

Aidas Ignatavičius

Director of Finance and  
Administration division

Andrius Bendikas



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