

**TERMS OF  
REORGANIZATION OF  
AB LESTO**

**AND**

**PUBLIC LIMITED LIABILITY COMPANY  
LIETUVOS DUJOS**

**VILNIUS  
2015**

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## 1. DEFINITIONS

1.1. Capitalized definitions used in these Terms of Reorganization shall have the following meanings, unless they carry different meaning due to a particular context:

- 1.1.1. **Companies** shall collectively refer to AB LESTO and AB Lietuvos Dujos being reorganized, whereas the **Company** shall mean any of the aforementioned companies.
- 1.1.2. **ESO** shall stand for a new company, namely, AB Energijos Skirstymo Operatorius (*Energy Distribution Operator*), established by merging the Companies during the reorganizational process, to which all assets, rights and obligations of the merged Companies are transferred.
- 1.1.3. **Reorganization** shall mean the reorganization of the Companies performed in compliance with the Civil Code of the Republic of Lithuania, the Law on Companies of the Republic of Lithuania and other respective legal acts of the Republic of Lithuania, by merging two public companies, namely, AB LESTO and AB Lietuvos Dujos, which terminate their individual activity after the Reorganization and cease to exist as legal entities, into a new legal entity, i.e. ESO.
- 1.1.4. **Reorganization Terms** shall mean this document prepared and approved by managing bodies of the Companies, including all annexes, supplements, amendments to the Terms of Reorganization as well as other documents which are attached to the Terms of Reorganization and (or) are considered their integral part.
- 1.1.5. **Reorganized Companies** shall mean the companies which terminate their activity after the Reorganization and cease to exist as legal entities, namely, AB LESTO and AB Lietuvos Dujos.
- 1.1.6. **LD** shall stand for public limited liability company Lietuvos Dujos incorporated and operating in accordance with the legislation of the Republic of Lithuania, registered with the Register of Legal Entities of the Republic of Lithuania under the legal entity code 120059523 at the address Agonuų St. 24, Vilnius.
- 1.1.7. **LESTO** shall mean public limited liability company AB LESTO incorporated and operating in accordance with the legislation of the Republic of Lithuania, registered with the Register of Legal Entities of the Republic of Lithuania under the legal entity code 302577612 at the address Agonuų St. 26, Vilnius.
- 1.1.8. **Licences** shall mean licences for the distribution of natural gas as well as distribution and public supply of electrical energy.
- 1.1.9. **Transferred Assets, Rights and Obligations** shall mean all fixed and current assets of LESTO and LD, also long-term and current financial and other liabilities, accounts receivable and payable in accordance with agreements concluded by LESTO and LD or obligations arising from other bases, as well as all rights to licences, permits and certificates used by LESTO and LD, if legislation provides

for the possibility to transfer such rights, and other rights and obligations of LESTO and LD assumed according to other transactions and obligations arising from other bases (including the rights and obligations under collective and employment contracts, funds kept in bank accounts of LESTO and LD, agreements with the newest and existing consumers of electrical energy and gas distribution services, producers of electrical energy, independent suppliers, also suppliers of goods, services and (or) works) and rights and obligations under other documents drawn up by LESTO and LD (technical specifications, design specifications, etc.), except for those rights and obligations of LESTO and LD which are prohibited to be transferred or which cannot be transferred to another person during the Reorganization in accordance with the imperative provisions of the Republic of Lithuania.

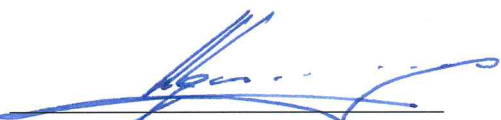
- 1.1.10. **Date of Transfer** shall mean the date before the moment the Licences come into effect on which ESO takes over all Transferred Assets, Rights and Obligations from the Companies.
- 1.2. Words in these Terms importing the singular meaning shall, where the context so admits, include the plural meaning and vice versa. Similarly, the words importing the masculine gender may, where the context so admits, include the feminine gender and vice versa. Any names used in the Terms are included for convenience only and shall have no effect on the meaning or interpretation of the Terms of Reorganization. Every time such words as “include”, “among them” or “including” or words of similar meaning are used in the Terms, it shall be deemed that they are followed by the phrase “but not limited to”.
- 1.3. A reference to a specific article, paragraph or subparagraph shall mean the reference to that specific article, paragraph or subparagraph of these Terms, unless otherwise specified.
- 1.4. References to laws or other legislation made in the Terms shall mean references to respective editions of the law or other piece of legislation of the Republic of Lithuania which is in effect at that time (unless the context requires otherwise).

## 2. LEGAL BASIS FOR REORGANIZATION

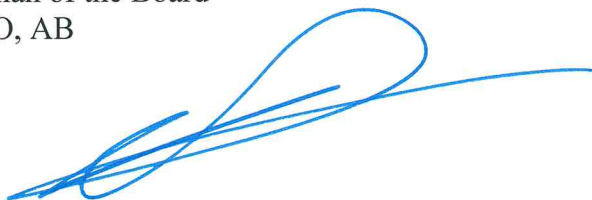
The Companies shall be reorganized and these Terms of Reorganization have been prepared in compliance with the provisions of the Civil Code of the Republic of Lithuania, the Law on Companies of the Republic of Lithuania, the Law on Energy of the Republic of Lithuania, the Law on Electricity of the Republic of Lithuania, the Law on Natural Gas of the Republic of Lithuania and other respective normative legal acts of the Republic of Lithuania.

The Reorganization Terms have been drafted by the Management Boards of the Companies after the approvals of General Meetings of Shareholders of LESTO and LD dated 29 May 2015 have been obtained (Annex 1 and Annex 2).

The Reorganization Terms were considered and approved by the decisions of the Board Meetings of LESTO and LD, both dated 31 August 2015.



Aidas Ignatavičius  
Chairman of the Board  
LESTO, AB



Liudas Liutkevičius  
Chairman of the Board  
Public Limited Liability Company Lietuvos Dujos

### **3. INFORMATION ABOUT THE REORGANIZED COMPANIES AND THE NEW COMPANY RESULTING FROM REORGANIZATION**

#### 3.1. The reorganized companies:

##### 3.1.1. LESTO

- legal entity name: AB LESTO;
- legal form of the legal entity: public limited liability company;
- registered address of the legal entity: Aguonų St. 26, Vilnius, the Republic of Lithuania;
- legal entity code: 302577612;
- register where information about a legal entity is collected and kept: the Register of Legal Entities of the Republic of Lithuania;
- value added tax payer's code: LT100005809812;
- authorised capital: EUR 175,143,931.97 divided into 603,944,593 ordinary registered shares with the nominal value of EUR 0.29 each, the ISIN code of the issue of shares being LT0000128449;
- paid up capital: EUR 175,143,931.97;
- LESTO is considered an issuer in accordance with the Law on Securities of the Republic of Lithuania, its shares are listed on the Official Trading List of NASDAQ OMX Vilnius, AB. All regulated information announced by LESTO, including the historical financial details for 2012, 2013 and 2014 as well as interim financial information is available for familiarisation on the website of LESTO [www.lesto.lt](http://www.lesto.lt), also on the website of NASDAQ OMX Vilnius, AB [www.nasdaqomxbaltic.com](http://www.nasdaqomxbaltic.com) and in the Central Storage Facility on the website [www.crib.lt](http://www.crib.lt);

##### 3.1.2. LD

- legal entity name: public limited liability company Lietuvos Dujos;
- legal form of the legal entity: public limited liability company;
- registered address of the legal entity: Aguonų St. 24, Vilnius, the Republic of Lithuania;
- legal entity code: 120059523;
- register where information about a legal entity is collected and kept: the Register of Legal Entities of the Republic of Lithuania;
- value added tax payer's code: LT200595219;
- authorised capital: EUR 84,298,864.60 divided into 290,685,740 ordinary registered shares with the nominal value of EUR 0.29 each, the ISIN code of the issue of shares being LT0000116220;
- paid up capital: EUR 84,298,864.60;
- LD is considered an issuer in accordance with the Law on Securities of the Republic of Lithuania, its shares are listed on the Official Trading List of NASDAQ OMX Vilnius, AB. All regulated information announced by LD, including the historical financial details for 2012, 2013 and 2014 as well as interim financial information is available for familiarisation on the website of LD at <http://www.lietuvosdujos.lt>, also on the website of NASDAQ OMX

Vilnius, AB [www.nasdaqomxbaltic.com](http://www.nasdaqomxbaltic.com) and in the Central Storage Facility on the website [www.crib.lt](http://www.crib.lt).

3.2. A new legal entity ESO shall be formed after the Reorganization:

- legal entity name: AB Energijos Skirstymo Operatorius;
- legal form of the legal entity: public limited liability company;
- registered address of the legal entity: Agonų St. 24, Vilnius, the Republic of Lithuania;
- legal entity code: to be attributed in accordance with the procedure established in the laws of the Republic of Lithuania following the registration of ESO with the Register of Legal Entities;
- register where information about the legal entity will be collected and stored: the Register of Legal Entities of the Republic of Lithuania;
- the ISIN code of the issue of shares will be attributed following the registration of the issue of ESO shares with the Central Securities Depository;
- authorised capital: EUR 259,442,796.57.

#### **4. MODE AND GOAL OF REORGANIZATION, LEGAL AND ECONOMIC GROUNDS. THE COMPANIES CEASING THEIR EXISTENCE AFTER REORGANIZATION AND A NEW COMPANY TO BE ACTIVE AFTER REORGANIZATION**

- 4.1. On the basis of the Reorganization Terms, the Companies are reorganized by way of merger, as laid down in Section 2.97 (4) of the Civil Code of the Republic of Lithuania, merging the Reorganized Companies which will cease their existence as legal entities after the Reorganization into ESO which will begin its operation after the Reorganization and will be the successor to all assets, rights and obligations of the Reorganized Companies, i.e. the new legal entity ESO will result from the Companies ceasing their existence and will continue the activities. The Reorganization may be appealed to the court under the procedure established by legal acts of the Republic of Lithuania and may be declared null and void on the grounds provided for in the legislation of the Republic of Lithuania.
- 4.2. The Reorganization aims to reduce the operating costs by achieving synergy among the activities. The Companies are reorganized so as to organise the activities in a more efficient way, to optimise the processes and eliminate any overlapping activities as well as to plan investments in a more efficient manner.
- 4.3. The Companies ceasing their existence after Reorganization: LESTO and LD.
- 4.4. The new company which will be incorporated and will commence its activities after the Reorganization: ESO.

**5. THE NUMBER OF SHARES OF THE REORGANIZED COMPANIES AND OF THE COMPANY RESULTING FROM THE REORGANISATION ACCORDING TO CLASSES AND THEIR NOMINAL VALUE. SHARE EXCHANGE RATIO AND ITS SUBSTANTIATION. RULES OF DISTRIBUTION OF SHARES AMONG SHAREHOLDERS**

- 5.1. Solely the persons who are the shareholders of LD and LESTO on the day when the Registrar of Legal Entities registers a newly incorporated company, i.e. ESO, shall have the right to obtain ESO shares.
- 5.2. The share exchange ratio applied to the exchange of shares of the Reorganized Companies for the shares issued by ESO to be active after the Reorganization is established on the basis of values of the Companies' shares defined in paragraphs 5.10 and 5.11 of the Reorganization Terms (table on the calculation of the share exchange ratio is attached as Annex 3).
- 5.3. On the day these Reorganization Terms are drawn up, the authorised capital of LD is EUR 84,298,864.6 which is divided into 290,685,740 ordinary registered shares having the nominal value of EUR 0.29 each.
- 5.4. On the day these Reorganization Terms are drawn up, the authorised capital of LESTO is EUR 175,143,931.97 divided into 603,944,593 ordinary registered shares having the nominal value of EUR 0.29 each.
- 5.5. The authorized capital of ESO to be active after the Reorganization will amount to EUR 259,442,796.57, i.e. the authorised capitals of LD and LESTO will be aggregated. The authorised capital of ESO will be divided into 894,630,333 ordinary registered shares with the nominal value of EUR 0.29 each.
- 5.6. The calculation of the exchange ratio of LD and LESTO shares for the shares of ESO was based on the values of the Company shares. The Boards of the Companies sought to establish true values of shares of both Companies and while assessing the Companies' shares they took into account the financial situation of the Companies during Half 1 2015 as well as the market assessment of the Companies because both Companies are public interest companies whose shares are traded on AB NASDAQ OMX Vilnius Stock Exchange. For the purposes of establishing the exchange ratio of LD and LESTO shares for the shares of ESO two methods were employed: (i) book value of net assets as of 30 June 2015, and (ii) average weighted price of the Companies' shares over the last 6 months on the market (the value of shares was calculated using the data of the trading period from 1 January 2015 to 30 June 2015 (inclusive)) where LD and LESTO securities are traded.
- 5.7. The method of net assets book value was chosen for the following reasons: this method is based on the latest audited interim financial statements prepared in accordance with International Financial Reporting Standards as of 30 June 2015 (Annexes 4 and 5). Tangible fixed assets of LESTO and LD correspond to its true value:
  - 5.7.1. tangible fixed assets of LESTO are accounted for at revalued amounts in accordance with International Accounting Standard (IAS) 16 "Property, Plant and Equipment". In pursuance of the provision of Article 31 of IAS 16, LESTO had the valuation of tangible fixed assets carried out on 31 December 2014 by



way of receipts and expenditure (R&E) method of valuation on the basis of report on valuation of tangible fixed assets provided by Ernst & Young Baltic, UAB. More details are available in 2014 consolidated financial statements of LESTO on-line at

[http://www.nasdaqomxbaltic.com/upload/reports/les/2014\\_ar\\_lt\\_ltl\\_con\\_ias.pdf](http://www.nasdaqomxbaltic.com/upload/reports/les/2014_ar_lt_ltl_con_ias.pdf).

- 5.7.2. Before 31 December 2014, all tangible fixed assets of LD were accounted for by way of cost approach. Following the change of accounting policy of LD according to the accounting policy of the group of companies of Lietuvos Energija, UAB, as of 31 December 2014, part of LD's tangible fixed assets, namely, distribution pipelines and their facilities, gas technology equipment and buildings, computer, communications and other organisational technology as well as incomplete construction, have continued to be accounted for by way of cost approach, meanwhile, the remaining part of the assets has been accounted for by way of revaluation method. Having accounted part of the assets by revaluation method, a more accurate and true view of the economic value of tangible fixed assets is presented. LD applied the exception provided for in IAS 8, namely, to account for any changes in accounting estimates on a prospective basis rather than retrospectively.

LD determined the value of buildings, related structures and machinery owned by LD on 31 December 2014 in accordance with the value determined by independent property appraisers Corporation Matininkai, UAB and Ober-Haus Nekilnojamas Turtas, UAB. To carry out the valuation, the constant price method was applied. The value of LD's vehicles was determined by carrying out an internal valuation using the average market prices announced in a publicly announced publication Emprekis. The value of other groups of assets was determined applying the cost method and correcting it against the value calculated in accordance with the discounted cash flow (DCF) method.

More details are available in 2014 financial statements of LD on-line at [http://www.nasdaqomxbaltic.com/upload/reports/ldj/2014\\_ar\\_lt\\_ltl\\_con\\_ias.pdf](http://www.nasdaqomxbaltic.com/upload/reports/ldj/2014_ar_lt_ltl_con_ias.pdf).

The value of tangible fixed assets of both LD and LESTO provided in financial statements present the true value of the assets as the Companies have carried out impairment tests of tangible fixed assets by means of DCF method.

- 5.8. The calculation of the average weighted market price of the Company's shares over the last 6 months (the value of shares was calculated using the data of the trading period from 1 January 2015 to 30 June 2015 (inclusive)) was chosen for the following reasons: this method reflects the value of LD and LESTO shares on the market, reflects the expectations of investors and the information held about the Companies, including their regulatory environment, as it comprises the most recent trade data of AB NASDAQ OMX Vilnius Stock Exchange.
- 5.9. In the opinion of the Boards of the Companies, the application of two methods presents the values of LD and LESTO shares more objectively. As a result of fluctuations of the market price of the Companies' shares (on AB NASDAQ OMX Vilnius Stock Exchange), also due to the changes in the energy sector as well as other factors which are likely to affect the market price of the Companies' shares at a certain moment, the Boards of the Companies decided to use the average weighted market price of the Companies' shares using the data of the trading period from 1 January 2015 to 30 June

2015 (inclusive, the calculations of these prices are attached as Annexes 6 and 7) rather than the market capitalization of LESTO and LD on a specific day.

- 5.10. According to the book values of net assets of LD Company and LESTO Group of 30 June 2015 recorded in interim financial statements dated 30 June 2015, the total value of LD and LESTO shares is EUR 145,386 thousand and EUR 425,388 thousand respectively. By decisions of the Boards of the Companies dated 31 August 2015, extraordinary general meetings of shareholders of the Companies are to be convened, which are aimed at offering the shareholders of the Companies to allocate dividends for the period shorter than the financial year. The offer is to allocate dividends in the amount of EUR 21,742 thousand to LESTO shareholders and EUR 10,348 thousand to LD shareholders. Given the aforementioned decisions and offers and seeking to determine the value of LESTO and LD shares as accurately as possible, the amounts specified in this paragraph for the allocation of dividends to shareholders have been removed from the total value of LD and LESTO shares which is presented according to the Companies' book value of net assets on 30 June 2015. In this way, the adjusted value of shares of LD and LESTO is EUR 135,038 thousand and EUR 403,646 thousand, accordingly. Given the capitalisation of the Companies on the market over the trading period from 1 January 2015 to 30 June 2015 (inclusive) and the average weighted market price of the Companies' shares (the value of shares was calculated using the data of the trading period from 1 January 2015 to 30 June 2015 (inclusive)), the total value of shares of LD and LESTO is EUR 222,535 thousand and EUR 599,569 thousand, respectively.
- 5.11. In establishing the final exchange ratio of LD and LESTO shares for shares of ESO, the arithmetic mean of the results provided in paragraph 5.10 was used. Thus the obtained total value of all LD and LESTO shares is EUR 178,787 thousand and EUR 501,608 thousand respectively, and the ratio between the values of all LD and LESTO shares is 26.276942:73.723058.
- 5.12. Different values of the Companies' shares have been determined by significant differences in their financial indicators as well as different regulatory environment of the Companies. According to the data of interim financial statement of Half 1 2015 of the Companies, LESTO's EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization) in Half 1 2015 amounted to EUR 71,024 thousand, whereas LD's EBITDA of the same period amounted to EUR 13,444 thousand. At the end of Half 1 2015, total assets of LESTO amounted to EUR 832,806 thousand, meanwhile, total assets of LD for the same period amounted to EUR 195,849 thousand. The aforementioned financial indicators considerably affected the differences between the values of the Companies' shares during the valuation of the shares of the Companies.
- 5.13. In view of the ratio between the values of all LD and LESTO shares, which is 26.276942:73.723058, LESTO shares will be exchanged for the shares of ESO, the company to be active after the Reorganization, at the following ratio: 1 LESTO share will equal to 1.09206846 ESO share, rounding as follows:
  - 5.13.1. if a fractional part of the total number of shares per shareholder equals to or is more than 0.5, the number of ESO shares issued to a shareholder of LESTO after the Reorganization will be rounded up to the whole number;

- 5.13.2. if a fractional part of the total number of shares per shareholder is less than 0.5, the number of ESO shares issued to a shareholder of LESTO after the Reorganization will be rounded down to the whole number (in such a case, any difference occurring between the whole number and its fractional part will not be compensated).
- 5.14. In view of the ratio between the values of all LD and LESTO shares, which is 26.276942:73.723058, LD shares will be exchanged for the shares of ESO, the company to be active after the Reorganization, at the following rate: 1 LD share will equal to 0.80871354 ESO shares, rounding as follows:
- 5.14.1. if a fractional part of the total number of shares per shareholder equals to or is more than 0.5, the number of ESO shares issued to a shareholder of LD after the Reorganization will be rounded up to the whole number;
- 5.14.2. if a fractional part of the total number of shares per shareholder is less than 0.5, the number of ESO shares issued to a shareholder of LD after the Reorganization will be rounded down to the whole number (in such a case, any difference occurring between the whole number and its fractional part will not be compensated).
- 5.15. In case the number of shares calculated to shareholders in accordance with paragraphs 5.13 and 5.14 exceeds the authorized capital of ESO, the company to be active after the Reorganization, the number of shares calculated to a shareholder who will get the biggest number of shares in accordance with paragraphs 5.13 and 5.14 will be decreased by the number equal to the difference between the number of shares calculated to shareholders in accordance with paragraphs 5.13 and 5.14 and the authorized capital of ESO, the company to be active after the Reorganization.
- 5.16. In case the number of shares calculated to shareholders in accordance with paragraphs 5.13 and 5.14 is lower than the authorized capital of ESO, the company to be active after the Reorganization, the number of shares calculated to the shareholder who will get the biggest number of shares in accordance with paragraphs 5.13 and 5.14 will be increased by the number equal to the difference between the number of shares calculated to shareholders in accordance with paragraphs 5.13 and 5.14 and the authorized capital of ESO, the company to be active after the Reorganization.

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

- 6.1. Operators of securities accounts shall make records verifying the ownership right of LD and LESTO shareholders to ESO shares no later than within 2 working days after the opening of a securities account for ESO by Central Securities Depository of Lithuania.
- 6.2. After operators of securities accounts have made records verifying the ownership right of LD and LESTO shareholders to the newly issued shares of ESO, the notice of corporate action will be given to the shareholders informing about the records made.

- 6.3. For at least 5 (five) working days after the general meetings of shareholders of LD and LESTO, considering the approval of these Reorganization Terms, trading of LD and LESTO shares will not be suspended in order for the shareholders of LD and LESTO to assess the Reorganization terms and take the decision whether to sell or not to sell the shares of LESTO and LD held by them.
- 6.4. After the term specified in paragraph 6.3 expires, trading in LD and LESTO shares on the official and additional lists of AB NASDAQ OMX Vilnius Stock Exchange will be terminated and these shares will be removed from the mentioned lists.
- 6.5. After the Reorganization, an application will be filed with AB NASDAQ OMX Vilnius for the inclusion of ESO shares into trading on AB NASDAQ OMX Vilnius Stock Exchange. For the avoidance of any doubt, upon approval of these Reorganization Terms, the shareholders of LD and LESTO, as the future shareholders of ESO, shall grant to the Board of ESO all rights and authorisations to adopt the necessary decisions and file applications for listing ESO shares into trading on AB NASDAQ OMX Vilnius Stock Exchange, in accordance with procedures laid down in legal acts. No additional decision of ESO shareholders will be required in respect of listing of ESO shares on AB NASDAQ OMX Vilnius Stock Exchange.

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

- 7.1. ESO, the company to be active after the Reorganization, will take over all the Transferred Assets, Rights and Obligations of LESTO and LD.
- 7.2. ESO will take over all the Transferred Assets, Rights and Obligations from the Companies, and all transactions of LESTO and LD will be included in the accounting of ESO on the Date of Transfer. Accordingly, as of this moment the Transferred Assets, Rights and Obligations will be considered as those of ESO including the rights and obligations under employment contracts. In addition, as of the moment of registration of ESO on the basis of these Reorganization Terms ESO shall be granted the right to use all the assets and enjoy all the rights and other resources of LESTO and LD (including human resources) free of charge to the extent it is necessary for obtaining the Licences and any other authorisations, certificates, licences as required for the activities of ESO, their coming into effect, and fulfilment of the related obligations and compliance with the related requirements laid down in legal acts as well as for ensuring uninterrupted and high-quality public supply of electrical energy, distribution of electrical energy and natural gas as well as provision of other services to consumers.
- 7.3. Seeking to ensure the continuity and stability of LESTO and LD activities, transactions with third parties and other legally significant actions in relation to the activities of LESTO and LD until the Date of Transfer will be concluded and performed on behalf of LESTO and (or) LD unless a specific situation requires otherwise, and later they will be transferred to ESO along with the Transferred Assets, Rights and Obligations.

- 7.4. After the Date of Transfer, on the basis of these Reorganization Terms, LESTO and LD shall be granted the right to use all the assets and enjoy the rights and other resources of ESO (including human resources) free of charge to the extent that it is necessary for the fulfilment of the obligations and compliance with the requirements laid down in legal acts in connection with the Licences as well as for uninterrupted and high-quality provision of services to consumers.
- 7.5. After the registration with the Register of Legal Entities, ESO shall immediately apply for Licences according to the procedure prescribed by laws. After the effective date of the Licences becomes known, on the Date of Transfer (i.e. on a certain day before the effective date of the Licences) separate deeds of transfer and acceptance of LESTO and LD assets, rights and obligations (including the rights and obligations under employment contracts) will be signed between ESO and LESTO, and ESO and LD. The mentioned deeds of transfer and acceptance as well as these Reorganization Terms shall be the legal basis for ESO, entered into the Register of Legal Entities, to take over the Transferred Assets, Rights and Obligations, and register the Transferred Assets, Rights and Obligations with the Real Estate Register or any other institutions or organisations in case ESO's title to the Transferred Assets, Rights and Obligations should be recorded in particular registers or other documents.
- 7.6. While ESO seeks to obtain the Licences and any other authorisations, certificates, licences and other permits required for the activities and to ensure uninterrupted distribution of electrical energy and natural gas as well as public supply of electrical energy, the situation may occur where certain assets, rights and obligations of LESTO and (or) LD will have to be transferred to ESO before the transfer of other assets, rights and obligations. In such event, specific deeds of transfer and acceptance of assets, rights and obligations will be executed defining the peculiarities of transfer of specific assets, rights and obligations.
- 7.7. ESO, the company to be active after the Reorganization, shall be granted the right to manage, use and dispose of funds in LESTO and LD bank accounts and their bank accounts or the aforementioned accounts shall be closed and their funds shall be transferred to the bank accounts of ESO.
- 7.8. During the reorganization of the companies operating in the energy sector of the Republic of Lithuania, it is planned to dispense with some assets or functions which are not related to the core activities of LD, in particular, the assets which are not technologically directly related to the distribution of gas carried out by LD and which will be sold or transferred in any other manner. Due to the mentioned dispensing with assets and functions, LD may transfer part of the assets, rights and obligations held during the preparation phase of these Reorganization Terms. In any case, the assets are planned to be transferred in exchange for remuneration (by selling, in exchange for shares or in any other way). Should the aforementioned changes in activities of LD be made before the decision of the shareholders to reorganize LESTO and LD and approve the Reorganization Terms is taken and should these changes be deemed material changes of assets, rights and obligations of LESTO and (or) LD, the managers of LESTO and LD shall draw up and deliver the notices stipulated in Article 65(5) of the Law on Companies of the Republic of Lithuania.

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

- 8.1. Following the merger of LD and LESTO into a new company ESO, shareholders of LD and LESTO will be granted the property and non-property rights of shareholders conferred by ordinary registered shares of ESO in accordance with the Law on Companies of the Republic of Lithuania, other normative legal acts of the Republic of Lithuania and the Articles of Association of ESO, the company to be active after reorganization. ESO has no intentions of issuing shares of other classes, debentures or other securities during the period of the Reorganization.
- 8.2. Shareholders of LD and LESTO, which will cease their existence after the Reorganization, shall be unconditionally entitled to a particular share of profit of ESO as of the moment when operators of securities accounts make records verifying LD and LESTO shareholders' ownership right to the shares of ESO.

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

- 9.1. During the Reorganization, the (managing) bodies of LESTO and LD shall have all the rights granted to them under laws of the Republic of Lithuania, the Articles of Association of the Companies, Steering Councils as well as the Regulations of Procedure for the Board.
- 9.2. During the Reorganization, the experts carrying out the assessment of the Reorganization Terms shall have all the rights granted to them under laws of the Republic of Lithuania, contracts entered into and the Articles of Association of the Companies. The aforementioned persons shall not be granted any additional rights.
- 9.3. The Boards and managing directors of the Companies shall:
  - 9.3.1. manage and control the Reorganization process of a respective Company;
  - 9.3.2. make other decisions and take actions set forth in the Reorganization Terms, shareholders' decisions of a respective Company and laws of the Republic of Lithuania.
- 9.4. Managing directors of LESTO and LD shall be authorized to manage all the issues related to the registration of ESO to be active after the Reorganization, registration of transfer of property rights, ownership rights and other rights, conclusion and/or amendments of contracts, and other issues in connection with the Reorganization until ESO is registered. No individual authorisations to perform the above mentioned actions will be issued to LESTO and LD managers. The managers of LESTO and LD shall have

the right to issue power of attorney to any other persons to perform the aforementioned actions to the full extent.

- 9.5. The powers of the Board and managing directors of LESTO and LD shall expire upon the removal of LESTO and LD from the Register of Legal Entities of the Republic of Lithuania under the procedure prescribed by laws of the Republic of Lithuania.
- 9.6. The bodies of the new company ESO will be set up in accordance with the “Guidelines for the Corporate Governance of the State Owned Energy Group” approved by Order No 1K-205 of the Minister for Finance of the Republic of Lithuania of 7 June 2013, i.e. the bodies of ESO will be the general meeting of shareholders, collegial supervisory body, namely, the Supervisory Board, which will consist of three (3) members elected for a 4-year term, a collegial management body, namely, the Board, which will consist of five (5) members elected for a 4-year term, and a sole managing body, namely, the Chief Executive Officer. The competence of the aforementioned bodies is defined in legislation of the Republic of Lithuania and Articles of Association of ESO (draft Articles of Association is attached as Annex 10).

## **10. FINAL PROVISIONS**

- 10.1. These Reorganization Terms will be assessed by a common (to both Companies) expert, namely, the audit company Grant Thornton Rimess, UAB (code 300056169, address A. Goštauto St. 40B, Vilnius, auditor’s licence number 001332) and auditor Genadij Makušev (auditor’s licence No 000162), who will draw up a report on the assessment of the Reorganization Terms in accordance with the procedure established in laws of the Republic of Lithuania. To commission common (to both Companies) expert to assess the Reorganization Terms, the Companies have obtained a respective approval from the Register of Legal Entities of the Republic of Lithuania the copy of which is attached as Annex 9 to the Reorganization Terms.
- 10.2. The Boards of the Companies shall prepare extensive written reports on the prospective Reorganization in accordance with the procedure prescribed by the Law on Companies of Republic of Lithuania.
- 10.3. The Reorganization Terms along with the report on assessment of the Reorganization Terms prepared by the audit company and the reports on the prospective Reorganization prepared by the Boards of the Companies will be submitted to the Register of Legal Entities of the Republic of Lithuania.
- 10.4. Shareholders of the Companies shall approve the Articles of Association of ESO which will be submitted to the Register of Legal Entities of the Republic of Lithuania together with other incorporation documents of ESO.
- 10.5. Public notice about the drafting of the Reorganization Terms shall be given in accordance with the procedure established in the Articles of Association of LESTO and LD, i.e. in electronic publication issued by the Registrar of the Register of Legal Entities and intended for the announcement of public notices in accordance with the procedure established by the Government, and, in accordance with the procedure

established for the announcement of regulated information, this should be done three times at intervals of no less than 30 calendar days.

- 10.6. Given the fact that LESTO and LD activities are regulated, following the approval of the Reorganization Terms in the Boards and the date of the first public announcement, the Boards of the Companies will assess the legal acts adopted by the National Control Commission for Energy and Prices which might affect the value of the tangible fixed assets of the Reorganized Companies and, accordingly, the value of the Companies' shares. Should the aforementioned legal acts have a considerable effect on the value of fixed assets of one or both Companies, the terms of the reorganization of the Companies (including but not limited to the exchange ratio of the Reorganized Companies' shares) may be amended in accordance with the procedure, terms and conditions established in legislation. Any changes shall be reported to the shareholders by LESTO and LD in accordance with the procedure and on the terms established in legislation.

#### **Annexes to the Reorganization Terms:**

1. Decision of the general meeting of shareholders of AB LESTO regarding the approval of drafting of the Reorganisation Terms.
2. Decision of the general meeting of shareholders of public limited liability company Lietuvos Dujos regarding the approval of drafting of the Reorganisation Terms.
3. Table on calculation of the share exchange ratio.
4. Interim condensed audited financial statements of AB LESTO for Q2 2015 and H1 2015 and condensed consolidated pre-audited financial statements of AB LESTO Group.
5. Interim condensed audited financial statements of public limited liability company Lietuvos Dujos for Q2 2015 and H1 2015.
6. Table on calculation of the average weighted market price of shares of AB LESTO over the last 6 months (trading period from 1 January 2015 to 30 June 2015 (inclusive)).
7. Table on calculation of the average weighted market price of shares of public limited liability company Lietuvos Dujos over the last 6 months (trading period from 1 January 2015 to 30 June 2015 (inclusive)).
8. Table of comparison of the key performance indicators of AB LESTO and public limited liability company Lietuvos Dujos.
9. Approval from the Register of Legal Entities of the Republic of Lithuania regarding the performance of the assessment of the Reorganisation Terms by the audit company common for both Companies.
10. Draft Articles of Association of ESO.



COPY

## MINUTES

### OF THE EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS OF AB LESTO

**29-05-2015 No 2**

Date: 29 May 2015  
Beginning: 9.00 a.m.  
Venue: Aguonų g. 26, Room No. 117, Vilnius, LT-03212

The list of registration of the participants in the General Meeting of Shareholders is attached as Annex No 1 to the Minutes /unavailable/.

The speaker of the Meeting Aidas Ignatavičius, the Chief Executive Officer of AB LESTO, informed that on 4 May 2015, pursuant to the Law on Companies of the Republic of Lithuania, the Board of AB LESTO took the decision to convene the Extraordinary General Meeting of Shareholders of AB LESTO (hereinafter - the Company) and approved the meeting agenda. The notice on the convocation of the Extraordinary General Meeting of Shareholders of the Company, also the meeting agenda were published on 6 May 2015 in the e-publication of SE Centre of Registers No. 2015-126 (a copy attached as Annex No 2 /unavailable/).

The Company's authorized capital comprises EUR 175 143 931.97. As at the date of the Shareholders' Meeting, 603 944 593 shares issued by the Company grant a total of 603 944 593 votes. One ordinary registered share grants one vote.

There were 10 general voting ballots filled in advance. The following shareholders of the Company submitted the general voting ballots:

1. State Street Bank and Trust (shareholder code 1TZF) owning 43 030 pcs. shares, i.e. 0.0071 percent of votes, as at the date of the Meeting (attached as Annex No 3 /unavailable/);
2. State Street Bank and Trust (shareholder code FA2O) owning 118 064 pcs. shares, i.e. 0.0195 percent of votes, as at the date of the Meeting (attached as Annex No 4 /unavailable/);
3. State Street Bank and Trust (shareholder code 1BB0) owning 5 008 pcs. shares, i.e. 0.0008 percent of votes, as at the date of the Meeting (attached as Annex No 5 /unavailable/);
4. State Street Bank and Trust (shareholder code 1BAV) owning 38 860 pcs. shares, i.e. 0.0064 percent of votes, as at the date of the Meeting (attached as Annex No 6 /unavailable/);
5. State Street Bank and Trust (shareholder code 1BAX) owning 83 680 pcs. shares, i.e. 0.0139 percent of votes, as at the date of the Meeting (attached as Annex No 7 /unavailable/);
6. State Street Bank and Trust (shareholder code FA2N) owning 338 936 pcs. shares, i.e. 0.0561 percent of votes, as at the date of the Meeting (attached as Annex No 8 /unavailable/);
7. The Bank of New York Mellon (shareholder code GSP260859) owning 14 565 pcs. shares, i.e. 0.0024 percent of votes, as at the date of the Meeting (attached as Annex No 9 /unavailable/);
8. The Bank of New York Mellon (shareholder code GSP712224) owning 19 018 pcs. shares, i.e. 0.0031 percent of votes, as at the date of the Meeting (attached as Annex No 10 /unavailable/);

9. JPMorgan Chase Bank N.A. (shareholder code 852218) owning 36 571 pcs. of shares, i.e. 0.0061 percent of votes, as at the date of the Meeting (attached as Annex No 11 /unavailable/);

10. Lietuvos Energija, UAB owning 570 066 682 pcs. shares, i.e. 94.3906 percent of votes, as at the date of the Meeting (attached as Annex No 12 /unavailable/);

The votes of shareholders having voted in advance shall be included in voting results. The shareholders owning 570 764 414 of shares, i.e. 94.5060 percent, presented general voting ballots.

4 pcs. valid powers of attorney were presented (attached as Annex No 13 /unavailable/). No contracts on the assignment of voting rights were presented.

One shareholder of the Company - Stasys Tubelevičius, owning 2 730 pcs. shares, i.e. 0.0005 percent of votes, as at the date of the Meeting registered for direct participation and participated in the Meeting. The number of votes of shareholders participating in the Meeting was 570 767 144 votes out of 603 944 593 possible votes (94.5060 percent).

Darius Kašauskas, the Chairman of the Supervisory Board of the Company, and Andrius Bendikas, Director of Finance and Administration Service of the Company, took part in the General Meeting of Shareholders.

To the best of the Company's knowledge, Lietuvos Energija, UAB owns and manages more than 5 percent of all shares of the Company - it possesses 570 066 682 shares, i.e. 94.3906 percent.

The speaker of the Meeting Aidas Ignatavičius, the Chief Executive Officer of the Company, stated that the quorum in the Meeting existed and that the Meeting could take decisions.

#### AGENDA:

1. On the consent to the drafting of the terms of reorganization and the assignment to draft the terms of reorganization.

/unavailable/

#### **1. CONSIDERED: On the consent to the drafting of the terms of reorganization and the assignment to draft the terms of reorganization**

The Chairman of the Meeting Emilis Cicėnas informed that based on the Law on Companies, each shareholder could receive and review the material on the issue under consideration before the Meeting.

Shareholders whose shares grant them at least 1/20 of all votes did not present any alternative draft decisions.

The Chairman of the Meeting also informed that Aidas Ignatavičius, the Chief Executive Officer of the Company, will present information on the first item on the agenda.

Aidas Ignatavičius, the Chief Executive Officer of the Company, presented information on the first item on the agenda and indicated that on 4 May 2015 the Company received the application of its shareholder Lietuvos Energija, UAB owning 94.39 percent of the authorized capital of AB LESTO *Regarding the Convocation of the Extraordinary General Meeting of Shareholders*. The application indicated that on 27 February 2015, the Board of Lietuvos Energija, UAB approved the concept of the programme for the refinement of the value chain of the Group and its corporate governance structure. On 7 April 2015, the Supervisory Committee of the Programme approved the plan of the programme for the refinement of the value chain of Lietuvos Energija, UAB Group implemented in the Company's group of companies. The application indicated that the implementation of the programme involves the intention to merge AB LESTO

and AB Lietuvos Dujos resulting in a new legal entity continuing operations after the reorganization by way of merger.

Aidas Ignatavičius, the Chief Executive Officer of the Company, noted that pursuant to Article 23(1) and Article 63(1) of the Law on Companies of the Republic of Lithuania, Lietuvos Energija, UAB, the shareholder of the Company owning 94.39 percent of the authorized capital of AB LESTO, addressed the Board of AB LESTO with the request to convene an Extraordinary General Meeting of Shareholders indicating the following information related to the convocation of the General Meeting of Shareholders provided for in Article 23(5) of the Law on Companies of the Republic of Lithuania:

I. Reasons and objectives of the convocation of the General Meeting of Shareholders - initiation of the reorganization procedure and the drafting of the terms of reorganization.

Lietuvos Energija, UAB proposed the following agenda of the General Meeting of Shareholders and draft decisions:

1. On the consent to the drafting of the terms of reorganization and the assignment to draft the terms of reorganization.

The draft decision proposed by the Shareholder:

1. to consent to the drafting of the terms of reorganization and the assignment to draft the terms of reorganization.

2. to assign the Board of AB LESTO together with the Board of AB Lietuvos Dujos to draft the terms of reorganization of AB LESTO and AB Lietuvos Dujos by way of merger and to carry out all the actions provided for by laws necessary for the implementation of the said decision.

Aidas Ignatavičius, the Chief Executive Officer of the Company, indicated that given the application of the shareholder, in the meeting of 4 May 2015 the Board of the Company made a decision to convene the Extraordinary General Meeting of Shareholders, to approve the agenda of the Extraordinary General Meeting of Shareholders and to approve a draft decision of the Extraordinary General Meeting of Shareholders of the Company on the issue provided for in the agenda.

The Chief Executive Officer of the Company Aidas Ignatavičius pointed out that Article 63(1) of the Law on Companies of the Republic of Lithuania establishes that boards (if boards are not formed - heads of companies) of the companies undergoing reorganization or participating in the reorganization must draw up the terms of reorganization of the company, having obtained a consent of the General Meeting of Shareholders.

The Chairman of the Meeting Emilis Cicėnas read the draft decision of the issue on the agenda approved by the decision of the Board of the Company of 4 May 2015.

Draft DECISION:

1.1. To consent to the drafting of the terms of reorganization of AB LESTO and AB Lietuvos Dujos.

1.2. To assign the Board of AB LESTO together with the Board of AB Lietuvos Dujos to draft the terms of reorganization of AB LESTO and AB Lietuvos Dujos by way of merger and to carry out all the actions provided for by laws necessary for the implementation of the said decision.

The Chairman of the Meeting Emilis Cicėnas offered to vote on the draft decision on the first item on the agenda.

Ignas Jurkynas, the Chairman of the Vote Counting Commission, announced the voting results.

**VOTED:** “for” - 570 577 548 votes (99.9668 percent of all shareholders participating in the meeting), “against” - 19 018 votes (0.0033 percent of all shareholders participating in the

meeting), abstained/ did not vote - 170 578 votes (0.0299 percent of all participating shareholders).

**DECIDED:**

1.1. To consent to the drafting of the terms of reorganization of AB LESTO and AB Lietuvos Dujos by way of merger.

1.2. To assign the Board of AB LESTO together with the Board of AB Lietuvos Dujos to draft the terms of reorganization of AB LESTO and AB Lietuvos Dujos by way of merger and to carry out all the actions provided for by laws necessary for the implementation of the said decision.

The Chairman of the Meeting Emilis Cicėnas announced that all the issues on the Meeting agenda were resolved and asked if the shareholders had any comments to the procedure of holding the General Meeting of Shareholders. No comments were made.

The Chairman of the Meeting Emilis Cicėnas also explained that pursuant to the Law on Companies of the Republic of Lithuania, the minutes of the Meeting will be drawn up and signed within 7 days after the date of the General Meeting of Shareholders. All persons attending the Meeting will have the right to review the minutes and not later than within 3 days after the moment of review, however not later than within 10 days after the date of the Meeting, submit in writing their comments or opinion regarding the facts stated in the minutes and the drawing up of the minutes.

The Chairman of the Meeting Emilis Cicėnas declared the Meeting closed.

Closing time: 9:20 a.m.

Chairman of the Meeting  
Emilis Cicėnas  
/signature/

Secretary of the Meeting  
Gintarė Šerėnaitė  
/signature/

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

TRUE COPY  
12 August 2015

Director of Legal Department of AB LESTO  
Emilis Cicėnas  
/signature/

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## MINUTES

### OF THE EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS OF THE PUBLIC LIMITED LIABILITY COMPANY LIETUVOS DUJOS

Company code 120059523, headquarters of the company located at Aguonų g. 24, Vilnius

Twenty ninth day of May of two thousand fifteen

Venue of the Meeting:	Aguonų g. 24, Vilnius AB Lietuvos Dujos
Record Date of the Meeting:	22 May 2015
Registration of Shareholders:	29 May 2015 from 10.25 a.m. to 10.55 a.m.

The list of registration of the participants in the General Meeting of Shareholders is attached as Annex No 1 to the Minutes /unavailable/.

On 4 May 2015, the application *Regarding the Convocation of the Extraordinary General Meeting of Shareholders* of Lietuvos Energija, UAB - the shareholder of AB Lietuvos Dujos which owns 94.64 percent of the authorized capital of AB Lietuvos Dujos - was received.

Given the shareholder's application, in its meeting of 4 May 2015, the Board of AB Lietuvos Dujos (hereinafter - the Company) made a decision to convene the Extraordinary General Meeting of Shareholders of AB Lietuvos Dujos and approved the agenda of the Extraordinary General Meeting of Shareholders of AB Lietuvos Dujos as well as the proposed decisions on the issues provided for in the agenda.

The notice on the convocation of the General Meeting of Shareholders of the Company, also the meeting agenda and proposed decisions on the issues provided for in the agenda were published on 6 May 2015 in the e-publication of SE Centre of Registers No. 2015-126 (a copy attached as Annex No 2 /unavailable/).

The shareholders also had the right and the possibility to review the proposed draft decisions and the material of the items on the agenda at the Company's headquarters. Draft decisions of the meeting were also published in the Central Database of Regulated Information and on the Company's website.

The Company's authorized capital as at the date of this Extraordinary General Meeting of Shareholders was 84 298 864 Euros and 60 cents. As at the date of the Shareholders' Meeting, 290 685 740 shares issued by the Company granted a total of 290 685 740 votes. One ordinary registered share grants one vote.

There was 1 (one) general voting ballot filled in advance (Annex No 3 /unavailable/). The general voting ballot was presented by Lietuvos Energija, UAB, which owned 280 930 066 shares, or 96.64 percent, as at the date of the Meeting.

No powers of attorney or contracts on the assignment of voting rights were presented.

Not a single shareholder of the Company registered for direct participation in the Meeting.

The number of votes of shareholders participating in the Meeting was 280 930 066 votes out of 290 685 740 possible votes (94.64 percent).

To the best of the Company's knowledge, Lietuvos Energija, UAB owns or manages more than 5 percent of all shares of the Company - it possesses 280 930 066 shares, i.e. 96.64 percent.

The quorum in the Meeting existed and the Meeting could take decisions.

Pursuant to Article 27(3) of the Law on Companies of the Republic of Lithuania, the Chairman and the Secretary of the Meeting are not elected if all the shareholders participating in the meeting have voted in writing.

In the meeting of 4 May 2015 the Board of AB Lietuvos Dujos approved the agenda of the Extraordinary General Meeting of Shareholders:

**AGENDA:**

**1. On the consent to the drafting of the terms of reorganization and the assignment to draft the terms of reorganization.**

There were no comments made to the proposed Meeting agenda.

**1. CONSIDERED: *On the consent to the drafting of the terms of reorganization and the assignment to draft the terms of reorganization***

Draft DECISION:

1.1. *To consent to the drafting of the terms of reorganization of AB LESTO and AB Lietuvos Dujos by way of merger.*

1.2. *To assign the Board of AB Lietuvos Dujos together with the Board of AB LESTO to draft the reorganization terms of AB LESTO and AB Lietuvos Dujos by way of merger and to carry out all the actions provided for by laws necessary for the implementation of the said decision.*

Shareholders whose shares grant them at least 1/20 of all votes did not present any alternative draft decisions.

**VOTED:** "for" - 280 930 066 votes (100 percent of all shareholders participating in the meeting), "against" - 0 votes (0 percent of all shareholders participating in the meeting).

**DECIDED:**

1.1. *To consent to the drafting of the terms of reorganization of AB LESTO and AB Lietuvos Dujos by way of merger.*

1.2. *To assign the Board of AB Lietuvos Dujos together with the Board of AB LESTO to draft the terms of reorganization of AB LESTO and AB Lietuvos Dujos by way of merger and to carry out all the actions provided for by laws necessary for the implementation of the said decision.*

ATTACHED:

/unavailable/

Chief Executive Officer  
of AB Lietuvos Dujos

/signature/

Liudas Liutkevičius

TRUE COPY  
12 August 2015

/signature/

Director of Legal Department of  
AB Lietuvos Dujos  
Ingrida Kudabienė

**Table on calculation of the share exchange ratio**

	<b>Amount, thousand EUR</b>	<b>Share exchange ratio</b>
Book value of equity as of 30-06-2015, subject to deduction of dividends for the period shorter than the financial year		
LESTO Group	403.646	74,931871%
LD	135.038	25,068129%
Capitalization (based on the weighted price average for the period of 6 months: 01-01-2015 - 30-06-2015, inclusive)		
LESTO	599.569	72,931040%
LD	222.535	27,068960%
Arithmetic mean of two methods		
LESTO	501.608	73,723058%
LD	178.787	26,276942%
<b>Share exchange factors</b>		
LESTO	<b>1,09206846</b>	
LD	<b>0,80871354</b>	
Sources: condensed audited interim financial statements of LESTO and condensed consolidated pre-audited interim financial statements of LESTO Group for Q2 and H1 of 2015; condensed audited financial statements of LD for Q2 and H1 of 2015, Nasdaq OMX trading data		



Annex No 4 to the Terms of Reorganization of AB  
LESTO and public limited liability company Lietuvos Dujos

**Interim condensed audited financial statements of AB LESTO for Q2 2015 and H1  
2015 and condensed consolidated pre-audited financial statements of AB LESTO  
Group**

**[See attached]**

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

# lesto



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companies

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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, J. Jasinskio g. 16B, LT-03163 Vilnius, Lithuania  
T: +370 (5) 239 2300, F: +370 (5) 239 2301, Email: [vilnius@lt.pwc.com](mailto:vilnius@lt.pwc.com), [www.pwc.com/lt](http://www.pwc.com/lt)

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

A large, stylized blue ink signature of Rimvydas Jogėla, written over the printed name and title.

Rimvydas Jogėla  
Partner  
Auditor's Certificate No.000457

Vilnius, Republic of Lithuania  
19 August 2015

A blue ink signature of Jurgita Krikščiūniene, written over the printed name and title.

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
		<u>732 775</u>	<u>748 064</u>
<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
		<u>100 031</u>	<u>68 187</u>
<b>Total assets</b>		<u><b>832 806</b></u>	<u><b>816 251</b></u>
<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>		<u><b>425 309</b></u>	<u><b>394 120</b></u>
<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
		<u>247 001</u>	<u>193 766</u>
<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
		<u>160 496</u>	<u>228 365</u>
<b>Total liabilities</b>		<u><b>407 497</b></u>	<u><b>422 131</b></u>
<b>Total equity and liabilities</b>		<u><b>832 806</b></u>	<u><b>816 251</b></u>

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**

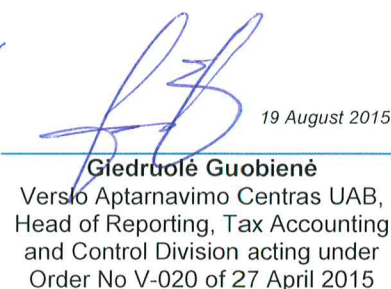
Company	Notes	1H 2015	Q2 2015	1H 2014	Q2 2014
Revenue	16	292 632	136 827	324 221	150 489
Purchases of electricity and related services		( 180 344)	( 85 113)	( 214 335)	( 99 626)
Depreciation and amortisation		( 17 532)	( 8 719)	( 49 028)	( 24 763)
Employee benefits and related social security contributions		( 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**  
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 19 August 2015  
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 19 August 2015  
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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

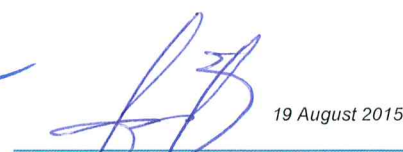
**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY**

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  
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 Verslo Aptarnavimo Centras UAB,  
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## 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

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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.

**LESTO AB, company code 302577612 Aguonų, 26, Vilnius, Lithuania**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION**  
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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 Valdos, 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

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**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

All amounts are in EUR thousands unless otherwise stated

## 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**

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**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

Continued on next page

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

## 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>		174 915	416 406	17 491	333 864	942 676
<b>Comprehensive income</b>						
Net profit (loss) for the period		-	-	-	14 693	14 693
<b>Total comprehensive income for the period</b>		-	-	-	14 693	14 693
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>		174 915	394 125	17 491	337 604	924 135
<b>Balance at 1 January 2015</b>		174 915	61 324	17 491	140 390	394 120
<b>Comprehensive income</b>						
Net profit (loss) for the period		-	-	-	43 039	43 039
<b>Total comprehensive income for the period</b>		-	-	-	43 039	43 039
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>		175 144	58 018	17 491	174 656	425 309

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



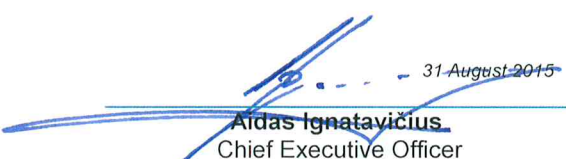
**AB LESTO, company code 302577612 Aguonų str. 26, Vilnius, Lietuva**  
**CONSOLIDATED AND COMPANY'S CONDENSED INTERIM FINANCIAL INFORMATION**  
**For the six-month period ended 30 June 2015**

All amounts are in EUR thousands unless otherwise stated

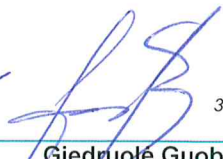
**CONDENSED INTERIM STATEMENTS OF CASH FLOWS**

	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

**AB LESTO, company code 302577612 Aguonų str. 26, Vilnius, Lietuva**  
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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.

## 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 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 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



**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

<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 Pasaugos 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.

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